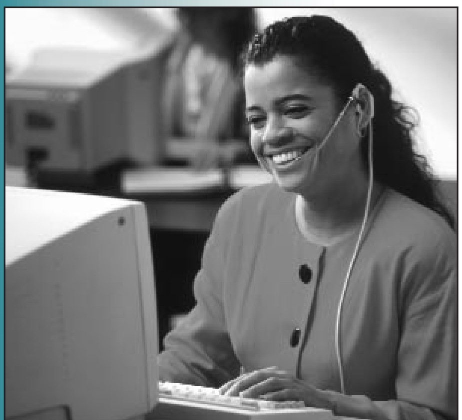
Baldrige National Quality Program 1999

Criteria for Performance Excellence



integrity

accomplishment

competitiveness

Malcolm Baldrige National Quality Award

The Malcolm Baldrige National Quality Award Program

A Public-Private Partnership

Building active partnerships in the private sector, and between the private sector and all levels of government, is fundamental to the success of the Baldrige National Quality Program in improving national competitiveness.

Support by the private sector for the Program in the form of funds, volunteer efforts, and participation in information transfer continues to grow.

To ensure the continued growth and success of these partnerships, each of the following organizations plays an important role:

The Foundation for the Malcolm Baldrige National Quality Award

The Foundation for the Malcolm Baldrige National Quality Award was created to foster the success of the Program. The Foundation's main objective is to raise funds to permanently endow the Award Program.

Prominent leaders from U.S. organizations serve as Foundation Trustees to ensure that the Foundation's objectives are accomplished. Donor organizations vary in size and type, and represent many kinds of businesses.

National Institute of Standards and Technology (NIST)

The Department of Commerce is responsible for the Baldrige National Quality Program and the Award. NIST, an agency of the Department's Technology Administration, manages the Baldrige Program.

NIST promotes U.S. economic growth by working with industry to develop and deliver the high-quality measurement tools, data, and services necessary for the nation's technology infrastructure. NIST also participates in a unique, government-private partnership to accelerate the development of high-risk technologies that promise significant commercial and economic benefits, and — through a network of technology extension centers and field offices located in all 50 states and Puerto Rico — helps small- and medium-size businesses access the information and expertise they need to improve their competitiveness in the global marketplace.

American Society for Quality (ASQ)

ASQ assists in administering the Award Program under contract to NIST.

ASQ is dedicated to the ongoing development, advancement, and promotion of quality concepts, principles, and techniques. ASQ strives to be the world's recognized champion and leading authority on all issues related to quality. ASQ recognizes that continuous quality improvement will help the favorable positioning of American goods and services in the international marketplace.

Board of Overseers

The Board of Overseers is the advisory organization on the Baldrige National Quality Program to the Department of Commerce. The Board is appointed by the Secretary of Commerce and consists of distinguished leaders from all sectors of the U.S. economy.

The Board of Overseers evaluates all aspects of the Program, including the adequacy of the Criteria and processes for determining Award recipients. An important part of the Board's responsibility is to assess how well the Program is serving the national interest. Accordingly, the Board makes recommendations to the Secretary of Commerce and to the Director of NIST regarding changes and improvements in the Program.

Board of Examiners

The Board of Examiners evaluates Award applications and prepares feedback reports. The Panel of Judges, part of the Board of Examiners, makes Award recommendations to the Director of NIST. The Board consists of leading U.S. business, health care, and education experts. Members are selected by NIST through a competitive application process. For 1999, the Board consists of about 350 members. Of these, nine (who are appointed by the Secretary of Commerce) serve as Judges, and approximately 70 serve as Senior Examiners. The remainder serve as Examiners. All members of the Board take part in an Examiner preparation course.

In addition to their application review responsibilities, Board members contribute significantly to information transfer activities. Many of these activities involve the hundreds of professional, trade, community, and state organizations to which Board members belong.

Award Recipients

Award recipients are required to share information on their successful performance and quality strategies with other U.S. organizations. However, recipients are not required to share proprietary information, even if such information was part of their Award application. The principal mechanism for sharing information is the annual Quest for Excellence Conference, highlighted on page ii.

Award recipients in the 11 years of the Award have been very generous in their commitment to improving U.S. competitiveness and the U.S. pursuit of performance excellence. They have shared information with hundreds of thousands of companies, educational institutions, health care organizations, government agencies, and others. This sharing far exceeds expectations and Program requirements. Award recipients' efforts have encouraged many other organizations in all sectors of the U.S. economy to undertake their own performance improvement efforts.

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To: U.S. Business Executives

From: Harry S. Hertz, Director
Baldrige National Quality Program

Harry S. Hertz

Subject: The Baldrige Challenge

In a rapidly changing marketplace and with ever-increasing competition in today's business environment, organizations are seeking every opportunity to improve their business results. For more than a decade, the Baldrige Criteria for Performance Excellence have been a significant tool used by thousands of U.S. organizations to assess and then improve performance on the critical factors that drive their business success.

Whether your business is small or large, involved in service or manufacturing, or located down the street or across the globe, the Criteria provide a valuable framework for performance excellence and can help you assess and measure performance on a wide range of key business indicators: customer, product and service, operational, and financial. Self-assessment allows you to identify strengths and to target opportunities for improvement on processes and results affecting all key stakeholders — including customers, employees, owners, suppliers, and the public. The Criteria also can help you align resources; improve communication, productivity, and effectiveness; and achieve company goals. Baldrige Award recipients report outstanding results; as a group, those who report productivity as income per employee have reported an average compounded annual growth rate of over 9 percent.

If you are ready to take the Baldrige challenge, you must first decide whether to perform a self-assessment only or also to submit an Award application. In the most competitive business sectors, organizations with world-class business results are able to achieve a score above 700 on the 1,000-point Baldrige scale. Even if you don't expect to win the Malcolm Baldrige National Quality Award, submitting an application has valuable benefits. Every applicant receives a detailed feedback report — based on an independent, external assessment conducted by a panel of specially-trained and recognized experts — outlining your strengths and opportunities for improvement.

Ultimately, your application may lead to a site visit. It also may lead to a Baldrige Award. It will most certainly identify high priority opportunities for performance improvement. Many Award recipients tell us their greatest rate of improvement occurs the year after receiving the Award. While we make no promises for the future, on average, publicly-traded, Baldrige Award recipient companies have outperformed the Standard & Poor's 500 by 3 to 1. If you receive the Baldrige Award, you may publicize and advertise your organization's winning status.

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We make only one requirement of recipients: that you share non-proprietary information from your application summary and participate in the Quest for Excellence Conference in March 2000, so that others might learn from your success.

The Criteria are in your hands ... so is an incredible opportunity. Why not take the challenge? Turn these pages, and turn the corner toward performance excellence.

Contents

Education and health care organizations should use the appropriate Criteria booklets for their respective sectors. See page 51 for ordering information.

If you plan to apply for the Award in 1999, you will also need the booklet entitled *1999 Application Forms & Instructions for Business, Education, and Health Care.* Ordering instructions are given on page 51.

Eligibility Forms due — April 15, 1999 Award Applications due — June 2, 1999

We are easy to reach. Our web address is http://www.quality.nist.gov.

Quest for Excellence XI Conference

Each year, Quest for Excellence, the official conference of the Malcolm Baldrige National Quality Award, provides a forum for Baldrige Award recipients to share their exceptional performance practices with worldwide leaders in business, education, health care, and not-for-profit organizations. Quest for Excellence XI will showcase the 1998 recipients.

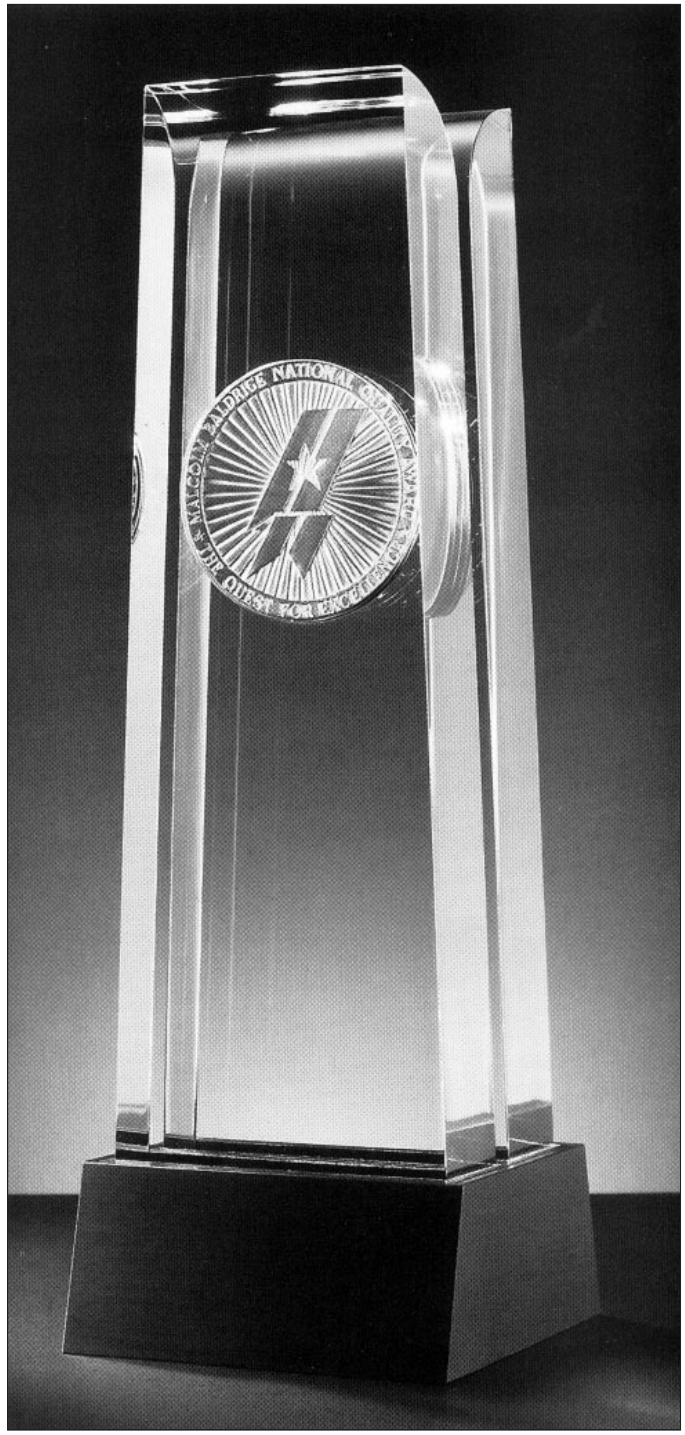
For the last ten years, executives, managers, and quality leaders have come to this conference to learn how these role-model organizations have achieved performance excellence. CEOs and other leaders from the Award recipients who are transforming their organizations will give presentations covering all seven Categories of the Baldrige Criteria: Leadership; Strategic Planning; Customer and Market Focus; Information and Analysis; Human Resource Focus; Process Management; and Business Results. Conference attendees will have the opportunity to ask questions of the Award recipients. This three-day conference is designed to maximize learning and networking opportunities.

The Quest for Excellence XI Conference will be held April 25-28, 1999, at the Marriott Wardman Park Hotel in Washington, DC. For further information, contact NIST, Baldrige National Quality Program, Administration Building, Room A635, 100 Bureau Drive, Stop 1020, Gaithersburg, MD 20899-1020; telephone: (301) 975-2036; fax: (301) 948-3716; or E-mail: nqp@nist.gov.

The Malcolm Baldrige National Quality Award

The Award, composed of two solid crystal prismatic forms, stands 14 inches tall. The crystal is held in a base of black, anodized aluminum with the Award recipient's name engraved on the base. A 22-karat, gold-plated medallion is captured in the front section of the crystal. The medal bears the inscriptions: "Malcolm Baldrige National Quality Award" and "The Quest for Excellence" on one side and the Presidential Seal on the other.

The President of the United States traditionally presents the Awards at a special ceremony in Washington, DC.



Crystal by Steuben

Criteria Purposes

The Malcolm Baldrige Criteria for Performance Excellence are the basis for organizational self-assessments, for making Awards, and for giving feedback to applicants. In addition, the Criteria have three other important roles in strengthening U.S. competitiveness:

- to help improve performance practices and capabilities;
- to facilitate communication and sharing of best practices information among U.S. organizations of all types; and
- to serve as a working tool for understanding and managing performance, planning, and training.

Criteria for Performance Excellence Goals

The Criteria are designed to help organizations enhance their competitiveness through focus on dual, results-oriented goals:

- delivery of ever-improving value to customers, resulting in marketplace success; and
- improvement of overall organizational performance and capabilities.

Core Values and Concepts

The Criteria are built upon a set of core values and concepts. These values and concepts are the foundation for integrating key business requirements within a results-oriented framework. These core values and concepts are:

Customer-Driven Quality

Quality is judged by customers. Thus, quality must take into account all product and service features and characteristics that contribute value to customers and lead to customer satisfaction, preference, and retention.

Value and satisfaction may be influenced by many factors throughout the customer's overall purchase, ownership, and service experiences. These factors include the organization's relationship with customers that helps build trust, confidence, and loyalty.

Customer-driven quality addresses not only the product and service characteristics that meet basic customer requirements, but also includes those features and characteristics that differentiate products and services from competing offerings. Such differentiation may be based upon new or modified offerings, combinations of product and service offerings, customization of offerings, rapid response, or special relationships.

Customer-driven quality is thus a strategic concept. It is directed toward customer retention, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements, and the factors that drive customer satisfaction and retention. Customer-driven quality also demands awareness of developments in technology and of competitors' offerings, and rapid and flexible response to customer and market requirements.

Customer-driven quality means much more than defect and error reduction, merely meeting specifications, or reducing complaints. Nevertheless, defect and error reduction and elimination of causes of dissatisfaction contribute to the customers' view of quality and are thus also important parts of customer-driven quality. In addition, the organization's success in recovering from defects and mistakes ("making things right for the customer") is crucial to building customer relationships and to customer retention.

Leadership

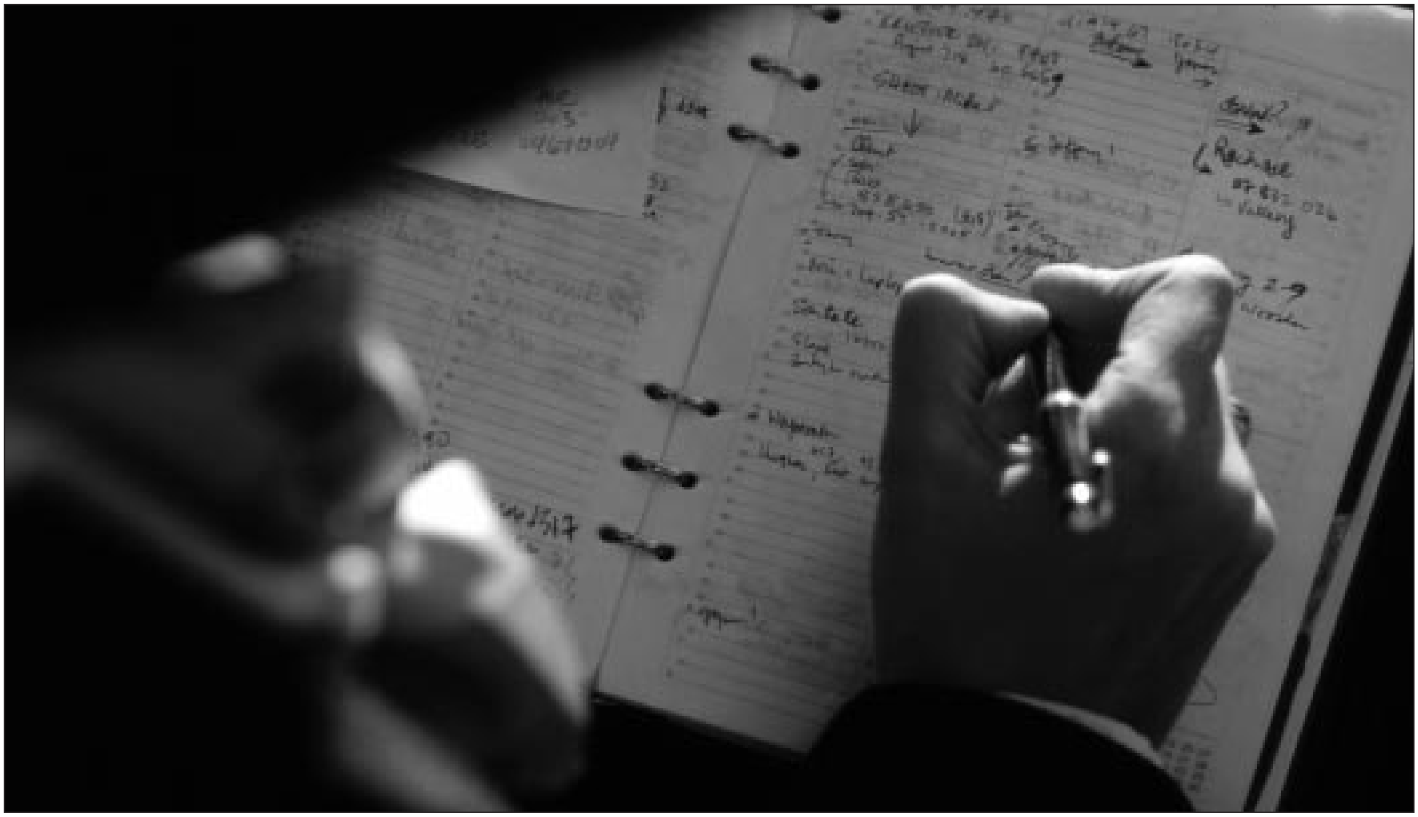
An organization's senior leaders need to set directions and create a customer orientation, clear and visible values, and high expectations. The directions, values, and expectations need to address all stakeholders. The leaders need to ensure the creation of strategies, systems, and methods for achieving excellence, stimulating innovation, and building knowledge and capabilities. The strategies and values should help guide all activities and decisions of the organization. The senior leaders need to commit to the development of the entire work force and should encourage participation, learning, innovation, and creativity by all employees.

Through their ethical behavior and personal roles in planning, communications, review of organizational performance, and employee recognition, the senior leaders serve as role models, reinforcing values and expectations and building leadership and initiative throughout the organization.

Continuous Improvement and Learning

Achieving the highest levels of performance requires a well-executed approach to continuous improvement and learning. The term "continuous improvement" refers to both incremental and "breakthrough" improvement. The term "learning" refers to adaptation to change, leading to new goals and/or approaches. Improvement and learning need to be "embedded" in the way the organization operates. The term embedded means that improvement and learning: (1) are a regular part of daily work; (2) are practiced at individual, work unit, and organizational levels; (3) seek to eliminate problems at their source; and (4) are driven by opportunities to innovate and do better, as well as by problems that must be corrected. Sources of improvement and learning include: employee ideas; R&D; customer input; best practice sharing; and benchmarking.

Improvement and learning include: (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) reducing errors, defects, waste, and related costs; (4) improving responsiveness and cycle time performance; (5) increasing



productivity and effectiveness in the use of all resources; and (6) enhancing the organization's performance in fulfilling its public responsibilities and service as a good citizen.

Thus, improvement and learning are directed not only toward better products and services but also toward being more responsive, adaptive, and efficient — giving the organization additional marketplace and performance advantages.

Valuing Employees

An organization's success depends increasingly on the knowledge, skills, innovative creativity, and motivation of its work force. Employee success depends increasingly on having opportunities to learn and to practice new skills. Organizations need to invest in the development of the work force through education, training, and opportunities for continuing growth. Opportunities might include job rotation and increased pay for demonstrated knowledge and skills. On-the-job training offers a cost effective way to train and to better link training to work processes. Education and training programs may need to utilize advanced technologies, such as computer-based learning and satellite broadcasts. Increasingly, training, development, and work units need to be tailored to a diverse work force and to more flexible, high performance work practices.

Major challenges in the area of valuing employees include: (1) integrating human resource practices — selection, performance, recognition, training, and career advancement; (2) developing, cultivating, and sharing the organization's knowledge that is possessed by its employees; and (3) aligning human resource management with strategic change processes. Addressing these challenges requires use of employee-related data on knowledge, skills, satisfaction, motivation, safety, and well-being. Such data need to be tied to indicators of organizational or unit performance, such as customer satisfaction, customer retention, and productivity. Through this approach, employee contributions may be better integrated and aligned with business directions.

Fast Response

Success in globally competitive markets demands ever-shorter cycles for introductions of new or improved products and services. Also, faster and more flexible response to customers is now a more critical requirement. Major improvements in response time often require simplification of work units and processes. To accomplish this, the time performance of work processes should be among the key process measures. Other important benefits can be derived from this focus on time: time improvements often drive simultaneous improvements in organization, quality, cost, and productivity. Hence, it is beneficial to integrate response time, quality, and productivity objectives.

Design Quality and Prevention

Organizations need to emphasize design quality — problem and waste prevention achieved through building quality into products and services and efficiency into production and delivery processes. Design quality includes the creation of fault-tolerant (robust) or failure-resistant processes and products. Costs of preventing problems at the design stage are lower than costs of correcting problems that occur "downstream." Accordingly, organizations need to emphasize opportunities for innovation and interventions "upstream" — at early stages in processes. This approach yields the maximum cost benefits and takes the greatest advantage of improvements and corrections. Such upstream intervention also should take into account the organization's suppliers.

A major success factor in competition is the design-to-introduction ("product generation") cycle time. To meet the demands of rapidly changing and global markets, organizations need to carry out stage-to-stage integration ("concurrent engineering") of activities from basic research to commercialization. Increasingly, design quality also depends upon the ability to use information from diverse sources and data bases that combine findings involving customer preferences, competitive offerings, price, marketplace changes, and external research. Emphasis also should be placed on capturing learning from other design projects.

The design stage is critical from the point of view of public responsibility. In manufacturing, design decisions impact the production and content of municipal and industrial wastes. Effective design strategies should anticipate growing environmental demands and related issues and factors.

Long-Range View of the Future

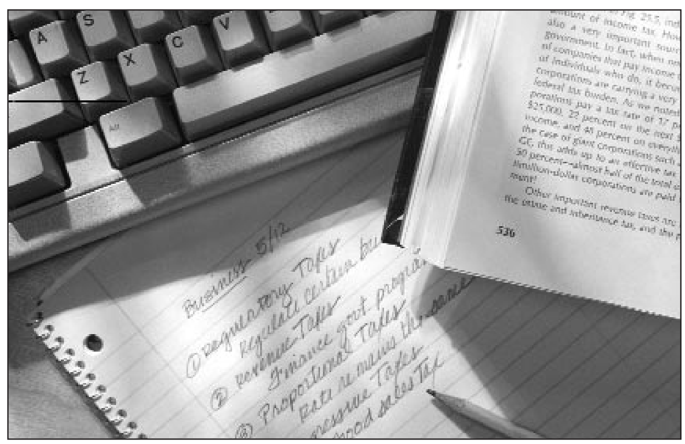
Pursuit of market leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders — customers, employees, suppliers, stockholders, the public, and the community. Organizations should anticipate many factors in their strategic planning efforts, such as customers' expectations, new business opportunities, the increasingly global marketplace, technological developments, new customer and market segments, evolving regulatory requirements, community/societal expectations, and strategic changes by competitors. Short- and long-term plans, strategic objectives, and resource allocations need to reflect these influences. Major components of such a long-term commitment include developing employees and suppliers and fulfilling public responsibilities.

Management by Fact

Businesses depend upon the measurement and analysis of performance. Such measurements must derive from the organization's strategy and provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance measurement and improvement. Performance areas included are: customer, product, and service; operations, market, and competitive comparisons; and supplier, employee, and cost and financial.

Analysis refers to extracting larger meaning from data and information to support evaluation, decision making, and operational improvement within the organization. Analysis entails using data to determine trends, projections, and cause and effect — that might not be evident without analysis. Data and analysis support a variety of purposes, such as planning, reviewing overall performance, improving operations, and comparing performance with competitors or with "best practices" benchmarks.

A major consideration in performance improvement involves the selection and use of performance measures or indicators. *The measures or indicators selected should best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or organizational performance requirements represents a clear basis for aligning all activities with the organization's goals.* Through the analysis of data from the tracking processes, the measures or indicators themselves may be evaluated and changed to better support such goals.



Partnership Development

Organizations need to build internal and external partnerships to better accomplish their overall goals.

Internal partnerships might include labor-management cooperation, such as agreements with unions. Agreements might entail employee development, cross-training, or new work organizations, such as high performance work teams. Internal partnerships also might involve creating network relationships among work units to improve flexibility, responsiveness, and knowledge sharing.

External partnerships might be with customers, suppliers, and education organizations for a variety of purposes,

including education and training. An increasingly important kind of external partnership is the strategic partnership or alliance. Such partnerships might offer entry into new markets or a basis for new products or services. Partnerships also might permit the blending of an organization's core competencies or leadership capabilities with the complementary strengths and capabilities of partners, thereby enhancing overall capability, including speed and flexibility.

Internal and external partners should develop longer-term objectives, thereby creating a basis for mutual investments. Partners should address the key requirements for success, means of regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective method of developing employees.

Public Responsibility and Citizenship

An organization's leadership needs to stress its responsibilities to the public and needs to practice good citizenship. These responsibilities refer to basic expectations of the organization — business ethics and protection of public health, safety, and the environment. Health, safety, and the environment include the organization's operations as well as the life cycles of its products and services. Organizations also need to emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of products. Plans should seek to prevent problems, to provide a forthright response if problems occur, and to make available information and support needed to maintain public awareness, safety, and confidence. Organizations should not only meet all local, state, and federal laws and regulatory requirements, they should treat these and related requirements as opportunities for continuous improvement "beyond mere compliance." This requires the use of appropriate measures in managing performance.

Practicing good citizenship refers to leadership and support — within the limits of an organization's resources — of publicly important purposes. Such purposes might include improving education, health care in the community, environmental excellence, resource conservation, community service, industry and business practices, and sharing nonproprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes. For example, individual companies could lead efforts to help define the obligations of their industry to its communities.

Results Focus

An organization's performance measurements need to focus on key results. Results should be focused on creating and balancing value for all stakeholders — customers, employees, stockholders, suppliers and partners, the public, and the community. To meet the sometimes conflicting and changing aims that balance implies, organizational strategy needs to explicitly include all stakeholder requirements. This will help to ensure that actions and plans meet differing stakeholder needs and avoid adverse impact on any stakeholders. The use of a balanced composite of performance measures offers an effective means to communicate short- and longer-term priorities, to monitor actual performance, and to marshal support for improving results.

Criteria for Performance Excellence Framework

The core values and concepts are embodied in seven Categories, as follows:

1 **Leadership**
2 **Strategic Planning**
3 **Customer and Market Focus**
4 **Information and Analysis**
5 **Human Resource Focus**
6 **Process Management**
7 **Business Results**

The framework connecting and integrating the Categories is given in the figure below.

The framework has three basic elements, from top to bottom:

Strategy and Action Plans

Strategy and Action Plans (top of figure) yield the set of customer and market focused performance requirements, derived from short- and long-term strategic planning, that must be met and exceeded for the organization's strategy to succeed. Strategy and Action Plans guide overall resource decisions and drive the alignment of measures for all work units to ensure customer satisfaction and market success.

System

The system is comprised of the six Baldrige Categories in the center of the figure that define the organization, its operations, and its results.

Leadership (Category 1), Strategic Planning (Category 2), and Customer and Market Focus (Category 3) represent the leadership triad. These Categories are placed together to emphasize the importance of a leadership focus on strategy and customers. Senior leaders must set organizational direction and seek future opportunities for the organization. If the leadership is not focused on customers, the organization as a whole will lack that focus.

Human Resource Focus (Category 5), Process Management (Category 6), and Business Results (Category 7) represent the results triad. An organization's employees and its key processes accomplish the work of the organization that yields its business results.

All actions point toward Business Results — a composite of customer, financial, and operational performance results, including human resource results and public responsibility.

The horizontal arrow in the center of the framework links the leadership triad to the results triad, a linkage critical to organizational success. Furthermore, the arrow indicates the central relationship between Leadership (Category 1) and Business Results (Category 7). Leadership must keep its eyes on business results and must learn from them to drive improvement.

Information and Analysis

Information and Analysis (Category 4) is critical to the effective management of the organization and to a fact-based system for improving company performance and competitiveness. Information and analysis serve as a foundation for the performance management system.

Criteria Structure

The seven Criteria Categories shown in the figure are subdivided into Items and Areas to Address:

Items

There are 19 Items, each focusing on a major requirement. Item titles and point values are given on page 9. The Item format is shown on page 45.

Areas to Address

Items consist of one or more Areas to Address (Areas). Organizations address their responses to the specific requirements of these Areas.

Baldrige Criteria for Performance Excellence Framework: A Systems Perspective

Key Characteristics of the Criteria

1. The Criteria focus on business results.

The Criteria focus on the key areas of business performance, given below.

Business performance areas:

(1) customer focused results;
(2) financial and market results;
(3) human resource results;
(4) supplier and partner results; and
(5) organizational effectiveness results.

The use of this composite of indicators is intended to ensure that strategies are balanced — that they do not inappropriately trade off among important stakeholders, objectives, or short- and long-term goals.

2. The Criteria are non-prescriptive and adaptable.

The Criteria are made up of results-oriented requirements. However, the Criteria *do not* prescribe:

- specific tools, techniques, technologies, systems, measures, or starting points;
- that an organization should or should not have departments for quality, planning, or other functions;
- how the organization itself should be structured; or
- that different units in an organization should be managed in the same way.

These factors are important and are likely to change as needs and strategies evolve. Hence, the Criteria do emphasize that such factors be evaluated as part of the organization's performance reviews.

The Criteria are non-prescriptive because:

(1) The focus is on results, not on procedures, tools, or organizational structure. Organizations are encouraged to develop and *demonstrate* creative, adaptive, and flexible approaches for meeting basic requirements. Non-prescriptive requirements are intended to foster incremental and major ("breakthrough") improvements as well as basic change.

(2) Selection of tools, techniques, systems, and organizational structure usually depends upon factors such as business type and size, the organization's stage of development, and employee capabilities and responsibilities.

(3) Focus on common requirements, rather than on common procedures, fosters better understanding, communication, sharing, and alignment, while supporting innovation and diversity in approaches.

3. The Criteria support a systems approach to maintaining organization-wide goal alignment.

The systems approach to goal alignment is embedded in the integrated structure of the Criteria and the results-oriented, cause-effect linkages among the Criteria Items.

Alignment in the Criteria is built around connecting and reinforcing measures derived from the organization's strategy. These measures tie directly to customer value and to overall performance. The use of measures thus channels different activities in consistent directions with less need for detailed procedures, centralized decision making, or process management. Measures thereby serve both as a communications tool and a basis for deploying consistent overall performance requirements. Such alignment ensures consistency of purpose while also supporting speed, innovation, and decentralized decision making.

A systems approach to goal alignment, particularly when strategy and goals change over time, requires dynamic linkages among Criteria Items. In the Criteria, action-oriented cycles of learning take place via feedback between processes and results.

The learning cycles have four, clearly defined stages:

(1) planning, including design of processes, selection of measures, and deployment of requirements;

(2) execution of plans;

(3) assessment of progress, taking into account internal and external results; and

(4) revision of plans based upon assessment findings, learning, new inputs, and new requirements.

4. The Criteria support goal-based diagnosis.

The Criteria and the Scoring Guidelines make up a two-part diagnostic (assessment) system. The Criteria are a set of 19 performance-oriented requirements. The Scoring Guidelines spell out the assessment dimensions — Approach, Deployment, and Results — and the key factors used to assess against each dimension. An assessment thus provides a profile of strengths and opportunities for improvement relative to the 19 basic requirements. In this way, assessment leads to actions that contribute to performance improvement, as described in the colored box above. This diagnostic assessment is a useful management tool that goes beyond most performance reviews and is applicable to a wide range of strategies and management systems.

CHANGES FROM THE 1998 CRITERIA

The Criteria continue to evolve toward comprehensive coverage of strategy-driven performance, addressing the needs of all stakeholders — customers, employees, stockholders, suppliers and partners, and the public. The 1999 Criteria further strengthen the systems view of performance management and place a greater emphasis on the alignment of key components of the performance management system. The roles of data, information, and analysis in measuring and managing performance are emphasized. Increased focus has been given to all aspects of organizational and employee learning and knowledge sharing, as well as to segmentation of markets, customers, and employee groups to improve information gathering and decision making.

The most significant changes in the Criteria and the Criteria booklet are summarized as follows:

- The number of Items has been reduced from 20 to 19.
- The number of Areas to Address has been reduced from 29 to 27.
- All Items have been rewritten as questions to enhance clarity and readability.
- The word "organization" has been substituted for "company" wherever possible. This change is in recognition of the fact that many organizations using the Criteria are subunits of a company or not for-profit entities.
- The Glossary of Key Terms is referenced at the end of the first Item that references each new Glossary term.
- The Scoring Guidelines have been revised and expanded to better link scoring dimensions to Criteria requirements.
- The order of presentation of material in the Criteria booklet has been changed to facilitate use of the Criteria for self-assessment and to place together all the material related to application for the Award.

Significant changes are:

Category 1 — Leadership

- Item 1.1 is now Organizational Leadership instead of Leadership System. This change is intended to emphasize the role of senior leaders in setting direction and guiding the organization. Area 1.1b, Organizational Performance Review, has been moved to this Item from 1998 Item 4.3 to emphasize the senior leaders' role in and responsibility for performance review.
- Item 1.2 is now Public Responsibility and Citizenship instead of Company Responsibility and Citizenship. This change is intended to better emphasize the organization's responsibilities to the public and to its key communities.

Category 2 — Strategic Planning

- Item 2.1 is now Strategy Development, with two key purposes: (1) a description of the strategy development process, and (2) a statement of the key current strategic objectives that result from that process.
- Item 2.2 is now Strategy Deployment, with emphasis on the important steps in deploying strategy: developing and identifying action plans to address the organization's strategic objectives, identifying key performance measures to track progress, and deploying the action plans and performance measures.

Category 3 — Customer and Market Focus

- Item 3.2, Customer Satisfaction and Relationships, now has two Areas to Address, reduced from three in 1998. 1999 Area 3.2a, Customer Relationships, combines the 1998 Areas that dealt with accessibility, complaint management, and relationship building. This change is intended to recognize the importance of accessibility and successful complaint management as components of building a positive relationship with customers.

Category 4 — Information and Analysis

- This Category now contains two Items, reduced from three in 1998. Category emphasis has shifted to focus on organizational performance measurement and analysis as the purposes for data and information gathering.
- Item 4.1, Measurement of Organizational Performance, replaces Items 4.1 and 4.2 from 1998. The Item emphasizes the key information and data, including comparative and benchmark information and data, needed for an effective performance measurement system and for alignment of performance throughout the organization.
- Item 4.2 is now Analysis of Organizational Performance instead of Analysis and Review of Company Performance (Item 4.3 in 1998). The review function, as stated above, is now in Item 1.1.

Category 5 — Human Resource Focus

- Item 5.1, Work Systems, has been expanded in scope also to include: how managers and supervisors motivate employees, a description of the employee performance management system, and a description of recruitment and hiring practices.
- Item 5.3, Employee Well-Being and Satisfaction, has been modified to include consideration of the needs of a diverse work force.

Category 6 — Process Management

- Item 6.3, Supplier and Partnering Processes, has been strengthened through identification of the key products and services purchased from suppliers/partners and through a focus on how effective interaction with suppliers and partners is ensured.

Category 7 — Business Results

- Item 7.1 is now Customer Focused Results instead of Customer Satisfaction Results. This change is intended to include all results that indicate the organization's success in all aspects of the customer's experience. These results include direct measures of satisfaction and dissatisfaction, indirect measures such as loyalty and positive referrals, and measures of product and service performance.
- Item 7.5 is now Organizational Effectiveness Results instead of Company-Specific Results. This change is intended to focus attention on those operational performance results that affect achievement of organizational effectiveness.

Scoring Guidelines

- The Scoring Guidelines have been revised to provide a better description of the performance attributes that accompany increasing Baldrige scores, and hence increasing performance system maturity.
- Scores are presented in 20% ranges to provide greater definition and differentiation of performance.
- Scoring range descriptors have been added that emphasize performance system alignment in both the approach/deployment and results dimensions.
- Specific approach/deployment descriptors have been added that emphasize the growing performance system maturity that results from cycles of evaluation, improvement, and organizational learning.

Number of Awards

Starting in 1999, the number of Awards in each eligibility category has been increased to a maximum of three, instead of two.

1999 Categories/Items		Point Values
1 Leadership		**125**
1.1	Organizational Leadership	85
1.2	Public Responsibility and Citizenship	40
2 Strategic Planning		**85**
2.1	Strategy Development	40
2.2	Strategy Deployment	45
3 Customer and Market Focus		**85**
3.1	Customer and Market Knowledge	40
3.2	Customer Satisfaction and Relationships	45
4 Information and Analysis		**85**
4.1	Measurement of Organizational Performance	40
4.2	Analysis of Organizational Performance	45
5 Human Resource Focus		**85**
5.1	Work Systems	35
5.2	Employee Education, Training, and Development	25
5.3	Employee Well-Being and Satisfaction	25
6 Process Management		**85**
6.1	Product and Service Processes	55
6.2	Support Processes	15
6.3	Supplier and Partnering Processes	15
7 Business Results		**450**
7.1	Customer Focused Results	115
7.2	Financial and Market Results	115
7.3	Human Resource Results	80
7.4	Supplier and Partner Results	25
7.5	Organizational Effectiveness Results	115
	TOTAL POINTS	**1000**

Note: The Scoring System used with the Criteria Items in a Baldrige assessment can be found on pages 42-43.

1 Leadership (125 pts.)

The ***Leadership*** Category examines how your organization's senior leaders address values and performance expectations, as well as a focus on customers and other stakeholders, empowerment, innovation, learning, and organizational directions. Also examined is how your organization addresses its responsibilities to the public and supports its key communities.

1.1 Organizational Leadership (85 pts.)

Approach - Deployment

Describe how senior leaders guide your organization and review organizational performance.

Within your response, include answers to the following questions:

a. Senior Leadership Direction

(1) How do senior leaders set, communicate, and deploy organizational values, performance expectations, and a focus on creating and balancing value for customers and other stakeholders? Include communication and deployment through your leadership structure and to all employees.

(2) How do senior leaders establish and reinforce an environment for empowerment and innovation, and encourage and support organizational and employee learning?

(3) How do senior leaders set directions and seek future opportunities for your organization?

b. Organizational Performance Review

(1) How do senior leaders review organizational performance and capabilities to assess organizational health, competitive performance, and progress relative to performance goals and changing organizational needs? Include the key performance measures regularly reviewed by your senior leaders.

(2) How do you translate organizational performance review findings into priorities for improvement and opportunities for innovation?

(3) What are your key recent performance review findings, priorities for improvement, and opportunities for innovation? How are they deployed throughout your organization and, as appropriate, to your suppliers/partners and key customers to ensure organizational alignment?

(4) How do senior leaders use organizational performance review findings and employee feedback to improve their leadership effectiveness and the effectiveness of management throughout the organization?

Note:

Organizational performance results should be reported in Items 7.1, 7.2, 7.3, 7.4, and 7.5.

Item responses are assessed by considering the Criteria Item requirements and the maturity of your approaches, breadth of deployment, and strength of your improvement process relative to the Scoring System. Refer to the Scoring System information on pages 42-43.

For definitions of the following **key terms**, see pages 27-28: alignment, innovation, measures, performance, and value.

For additional description of this Item, see page 29.

1.2 Public Responsibility and Citizenship (40 pts.)

Approach - Deployment

Describe how your organization addresses its responsibilities to the public and how your organization practices good citizenship.

Within your response, include answers to the following questions:

a. Responsibilities to the Public

(1) How do you address the impacts on society of your products, services, and operations? Include your key practices, measures, and targets for regulatory and legal requirements and for risks associated with your products, services, and operations.

(2) How do you anticipate public concerns with current and future products, services, and operations? How do you prepare for these concerns in a proactive manner?

(3) How do you ensure ethical business practices in all stakeholder transactions and interactions?

b. Support of Key Communities

How do your organization, your senior leaders, and your employees actively support and strengthen your key communities? Include how you identify key communities and determine areas of emphasis for organizational involvement and support.

Notes:

N1. Public responsibilities in areas critical to your business also should be addressed in Strategy Development (Item 2.1) and in Process Management (Category 6). Key results, such as results of regulatory/legal compliance or environmental improvements through use of "green" technology or other means, should be reported as Organizational Effectiveness Results (Item 7.5).

For additional description of this Item, see page 29.

N2. Areas of community support appropriate for inclusion in 1.2b might include efforts to strengthen local community services, education, the environment, and practices of trade, business, or professional associations.

N3. Health and safety of employees are not addressed in Item 1.2; these are addressed in Item 5.3.

2 Strategic Planning (85 pts.)

The ***Strategic Planning*** Category examines your organization's strategy development process, including how your organization develops strategic objectives, action plans, and related human resource plans. Also examined are how plans are deployed and how performance is tracked.

2.1 Strategy Development (40 pts.)

Approach - Deployment

Describe your organization's strategy development process to strengthen organizational performance and competitive position. Summarize your key strategic objectives.

Within your response, include answers to the following questions:

a. Strategy Development Process

(1) What is your strategic planning process? Include key steps and key participants in the process.

(2) How do you consider the following key factors in your process? Include how relevant data and information are gathered and analyzed.

The factors are:

- customer and market needs/expectations, including new product/service opportunities
- your competitive environment and capabilities, including use of new technology
- financial, societal, and other potential risks
- your human resource capabilities and needs
- your operational capabilities and needs, including resource availability
- your supplier and/or partner capabilities and needs

b. Strategic Objectives

What are your key strategic objectives and your timetable for accomplishing them? In setting objectives, how do you evaluate options to assess how well they respond to the factors in 2.1a(2) most important to your performance?

Notes:

N1. Strategy development refers to your organization's approach (formal or informal) to a future-oriented basis for business decisions, resource allocations, and management. Such development might utilize various types of forecasts, projections, options, scenarios, and/or other approaches to addressing the future.

N2. The word strategy should be interpreted broadly. It might be built around or lead to any or all of the following: new products, services, and markets; revenue growth; cost reduction; business acquisitions; and new partnerships and alliances. Strategy might be directed toward becoming a preferred supplier, a low-cost producer, a market innovator, and/or a high-end or customized service provider.

Strategy might depend upon or require you to develop different kinds of capabilities, such as rapid response, customization, market understanding, lean or virtual manufacturing, relationships, rapid innovation, technology management, leveraging assets, business process excellence, and information management. Responses to Item 2.1 should address the key factors from your point of view.

N3. Item 2.1 addresses overall organizational directions and strategy that might include changes in services, products, and/or product lines. However, the Item does not address product and service design; these are addressed in Item 6.1.

For a definition of the following **key term**, see page 28: process.

For additional description of this Item, see page 31.

2.2 Strategy Deployment (45 pts.)

Approach - Deployment

Describe your organization's strategy deployment process. Summarize your organization's action plans and related performance measures. Project the performance of these key measures into the future.

Within your response, include answers to the following questions:

a. Action Plan Development and Deployment

(1) How do you develop action plans that address your key strategic objectives? What are your key short- and longer-term action plans? Include key changes, if any, in your products/services and/or your customers/markets.

(2) What are your key human resource requirements and plans, based on your strategic objectives and action plans?

(3) How do you allocate resources to ensure accomplishment of your overall action plan?

(4) What are your key performance measures and/or indicators for tracking progress relative to your action plans?

(5) How do you communicate and deploy your strategic objectives, action plans, and performance measures/indicators to achieve overall organizational alignment?

b. Performance Projection

(1) What are your two-to-five year projections for key performance measures and/or indicators? Include key performance targets and/or goals, as appropriate.

(2) How does your projected performance compare with competitors, key benchmarks, and past performance, as appropriate? What is the basis for these comparisons?

Notes:

N1. Action plan development and deployment are closely linked to other Items in the Criteria and to the performance excellence framework on page 5. Examples of key linkages are:

- Item 1.1 for how senior leaders set and communicate directions;
- Category 3 for gathering customer and market knowledge as input to strategy and action plans, and for deploying action plans;
- Category 4 for information and analysis to support development of strategy, to provide a sound performance basis for performance measurements, and to track progress relative to strategic objectives and action plans;
- Category 5 for work system needs, employee education, training, and development needs, and related human resource factors resulting from action plans;
- Category 6 for process requirements resulting from action plans; and
- Item 7.5 for accomplishments relative to organizational strategy.

N2. Measures and/or indicators of projected performance (2.2b) might include changes resulting from new business ventures, business acquisitions, new value creation, market entry and/or shifts, and/or significant anticipated innovations in products, services, and/or technology.

For definitions of the following **key terms**, see pages 27-28: action plans, measures and indicators.

For additional description of this Item, see pages 31-32.

3 Customer and Market Focus (85 pts.)

The ***Customer and Market Focus*** Category examines how your organization determines requirements, expectations, and preferences of customers and markets. Also examined is how your organization builds relationships with customers and determines their satisfaction.

3.1 Customer and Market Knowledge (40 pts.)

Approach - Deployment

Describe how your organization determines short- and longer-term requirements, expectations, and preferences of customers and markets to ensure the relevance of current products/services and to develop new opportunities.

Within your response, include answers to the following questions:

a. Customer and Market Knowledge

(1) How do you determine or target customers, customer groups, and/or market segments? How do you consider customers of competitors and other potential customers and/or markets in this determination?

(2) How do you listen and learn to determine key requirements and drivers of purchase decisions for current, former, and potential customers? If determination methods differ for different customers and/or customer groups, include the key differences.

(3) How do you determine and/or project key product/service features and their relative importance/value to customers for purposes of current and future marketing, product planning, and other business developments, as appropriate? How do you use relevant information from current and former customers, including marketing/sales information, customer retention, won/lost analysis, and complaints, in this determination?

(4) How do you keep your listening and learning methods current with business needs and directions?

Notes:

N1. If products and services are sold to end users via other businesses such as retail stores or dealers, customer groups [3.1a(1)] should include both the end users and these intermediate businesses.

N2. Product and service features [3.1a(3)] refer to all important characteristics and to the performance of products and services throughout their full life cycle and the full "consumption chain." The focus should be on features that bear upon customer preference and repurchase loyalty — for example, those features that differentiate products and services from competing offerings. Those features might include factors such as price, value, delivery, customer or technical support, and the sales relationship.

For additional description of this Item, see page 32.

3.2 Customer Satisfaction and Relationships (45 pts.)

Approach - Deployment

Describe how your organization determines the satisfaction of customers and builds relationships to retain current business and to develop new opportunities.

Within your response, include answers to the following questions:

a. Customer Relationships

(1) How do you determine key access mechanisms to facilitate the ability of customers to conduct business, seek assistance and information, and make complaints? Include a summary of your key mechanisms.

(2) How do you determine key customer contact requirements and deploy these requirements to all employees involved in the response chain?

(3) What is your complaint management process? Include how you ensure that complaints are resolved effectively and promptly, and that all complaints received are aggregated and analyzed for use in overall organizational improvement.

(4) How do you build relationships with customers for repeat business and/or positive referral?

(5) How do you keep your approaches to customer access and relationships current with business needs and directions?

b. Customer Satisfaction Determination

(1) What processes, measurement methods, and data do you use to determine customer satisfaction and dissatisfaction? Include how your measurements capture actionable information that reflects customers' future business and/or potential for positive referral. Also include any significant differences in processes or methods for different customer groups and/or market segments.

(2) How do you follow up with customers on products/services and recent transactions to receive prompt and actionable feedback?

(3) How do you obtain and use information on customer satisfaction relative to competitors and/or benchmarks, as appropriate?

(4) How do you keep your approaches to satisfaction determination current with business needs and directions?

Notes:

N1. Customer relationships (3.2a) might include the development of partnerships or alliances.

N2. Customer satisfaction and dissatisfaction determination (3.2b) might include any or all of the following: surveys, formal and informal feedback from customers, use of customer account data, and complaints.

N3. Customer satisfaction measurements might include both a numerical rating scale and descriptors for each unit in the scale. Actionable customer satisfaction measurements provide reliable information about customer ratings of specific product, service, and relationship features, the linkage between these ratings, and the customer's likely future actions — repurchase and/or positive referral. Product and service features might include overall value and price.

N4. Customer satisfaction and dissatisfaction results and information on product/service measures that contribute to customer satisfaction or dissatisfaction should be reported in Item 7.1. These latter measures might include trends and levels in performance of customer-desired product features or customer complaint handling effectiveness (such as complaint response time, effective resolution, and percent of complaints resolved on first contact).

For additional description of this Item, see pages 32-34.

4 Information and Analysis (85 pts.)

The ***Information and Analysis*** Category examines your organization's performance measurement system and how your organization analyzes performance data and information.

4.1 Measurement of Organizational Performance (40 pts.)

Approach - Deployment

Describe how your organization provides effective performance measurement systems for understanding, aligning, and improving performance at all levels and in all parts of your organization.

Within your response, include answers to the following questions:

a. Measurement of Organizational Performance

(1) How do you address the major components of an effective performance measurement system, including the following key factors?

- selection of measures/indicators, and extent and effectiveness of their use in daily operations
- selection and integration of measures/indicators and completeness of data to track your overall organizational performance
- selection, and extent and effectiveness of use of key comparative data and information
- data and information reliability
- a cost/financial understanding of improvement options
- correlations/projections of data to support planning

(2) How do you keep your performance measurement system current with business needs and directions?

Notes:

N1. The term information and analysis refers to the key metrics used by your organization to measure and analyze performance. Performance measurement is used in fact-based decision making for setting and aligning organizational directions and resource use at the work unit, key process, departmental, and whole organization levels.

N2. Deployment of data and information might be via electronic or other means. Reliability [4.1a(1)] includes reliability of software and delivery systems.

For additional description of this Item, see page 34.

N3. Comparative data and information include benchmarking and competitive comparisons. Benchmarking refers to processes and results that represent best practices and performance for similar activities, inside or outside the organization's industry. Competitive comparisons refer to performance relative to competitors in the organization's markets.

4.2 Analysis of Organizational Performance (45 pts.)

Approach - Deployment

Describe how your organization analyzes performance data and information to assess and understand overall organizational performance.

Within your response, include answers to the following questions:

a. Analysis of Organizational Performance

(1) How do you perform analyses to support your senior executives' organizational performance review and your organizational planning? How do you ensure that the analyses address the overall health of your organization, including your key business results and strategic objectives?

(2) How do you ensure that the results of organizational-level analysis are linked to work group and/or functional-level operations to enable effective support for decision making?

(3) How does analysis support daily operations throughout your organization? Include how this analysis ensures that measures align with action plans.

Notes:

N1. Analysis includes trends, projections, comparisons, and cause-effect correlations intended to support performance reviews and the setting of priorities for resource use. Accordingly, analysis draws upon all types of data: customer-related, financial and market, operational, and competitive.

For additional description of this Item, see pages 34-35.

N2. Performance results should be reported in Items 7.1, 7.2, 7.3, 7.4, and 7.5.

5 Human Resource Focus (85 pts.)

The ***Human Resource Focus*** Category examines how your organization enables employees to develop and utilize their full potential, aligned with the organization's objectives. Also examined are your organization's efforts to build and maintain a work environment and an employee support climate conducive to performance excellence, full participation, and personal and organizational growth.

5.1 Work Systems (35 pts.)

Approach - Deployment

Describe how your organization's work and job design, compensation, career progression, and related work force practices enable employees to achieve high performance in your operations.

Within your response, include answers to the following questions:

a. Work Systems

(1) How do you design, organize, and manage work and jobs to promote cooperation and collaboration, individual initiative, innovation, and flexibility, and to keep current with business needs?

(2) How do your managers and supervisors encourage and motivate employees to develop and utilize their full potential? Include formal and/or informal mechanisms you use to encourage and support employees in job- and career-related development/learning objectives.

(3) How does your employee performance management system, including feedback to employees, support high performance?

(4) How do your compensation, recognition, and related reward/incentive practices reinforce high performance?

(5) How do you ensure effective communication, cooperation, and knowledge/skill sharing across work units, functions, and locations, as appropriate?

(6) How do you identify characteristics and skills needed by potential employees; how do you recruit and hire new employees? How do you take into account key performance requirements, diversity of your community, and fair work force practices?

Notes:

N1. The term employees refers to the organization's permanent, temporary, and part-time personnel, as well as any contract employees supervised by the organization. Employees include managers and supervisors at all levels. Contract employees supervised by a contractor should be addressed in Item 6.3.

N2. The term work design refers to how employees are organized and/or organize themselves in formal and informal, temporary, or longer-term units. This might include work teams, process teams, customer action teams, problem-solving teams, centers of excellence, functional units, cross-functional teams, and departments — self-managed or managed by supervisors.

The term job design refers to responsibilities, authorities, and tasks of individuals. In some work systems, jobs might be shared by a team, based upon cross-training.

N3. Compensation and recognition include promotions and bonuses that might be based upon performance, skills acquired, and other factors. Recognition includes monetary and nonmonetary, formal and informal, and individual and group recognition.

For a definition of the following **key term**, see page 27: high performance work.

For additional description of this Item, see pages 35-36.

5.2 Employee Education, Training, and Development (25 pts.)

Approach - Deployment

Describe how your organization's education and training support the achievement of your business objectives, build employee knowledge, skills, and capabilities, and contribute to improved employee performance.

Within your response, include answers to the following questions:

a. Employee Education, Training, and Development

(1) How does your education and training approach balance short- and longer-term organizational and employee needs, including development, learning, and career progression?

(2) How do you design education and training to keep current with business and individual needs? Include how job and organizational performance are used in education and training design and evaluation.

(3) How do you seek and use input from employees and their supervisors/managers on education and training needs, expectations, and design?

(4) How do you deliver and evaluate education and training? Include formal and informal education, training, and learning, as appropriate.

(5) How do you address key developmental and training needs, including diversity training, management/leadership development, new employee orientation, and safety, as appropriate?

(6) How do you address performance excellence in your education and training? Include how employees learn to use performance measurements, performance standards, skill standards, performance improvement, quality control methods, and benchmarking, as appropriate.

(7) How do you reinforce knowledge and skills on the job?

Note:

Education and training delivery [5.2a(4)] might occur inside or outside the organization and involve on-the-job, classroom, computer-based, distance learning, and/or other types of delivery (formal or informal).

For additional description of this Item, see pages 36-37.

5.3 Employee Well-Being and Satisfaction (25 pts.)

Approach - Deployment

Describe how your organization maintains a work environment and an employee support climate that contribute to the well-being, satisfaction, and motivation of all employees.

Within your response, include answers to the following questions:

a. Work Environment

How do you address and improve workplace health, safety, and ergonomic factors? How do employees take part in identifying these factors and in improving workplace safety? Include performance measures and/or targets for each key environmental factor. Also include significant differences, if any, based on different work environments for employee groups and/or work units.

b. Employee Support Climate

(1) How do you enhance your employees' work climate via services, benefits, and policies? How are these enhancements selected and tailored to the needs of different categories and types of employees, and to individuals, as appropriate?

(2) How does your work climate consider and support the needs of a diverse work force?

c. Employee Satisfaction

(1) How do you determine the key factors that affect employee well-being, satisfaction, and motivation?

(2) What formal and/or informal assessment methods and measures do you use to determine employee well-being, satisfaction, and motivation? How do you tailor these methods and measures to a diverse work force and to different categories and types of employees? How do you use other indicators such as employee turnover, absenteeism, grievances, and productivity to assess and improve employee well-being, satisfaction, and motivation?

(3) How do you relate assessment findings to key business results to identify work environment and employee support climate improvement priorities?

Notes:

N1. Approaches for enhancing employees' work climate [5.3b(1)] might include: counseling; career development and employability services; recreational or cultural activities; non-work-related education; day care; job rotation and/or sharing; special leave for family responsibilities and/or for community service; home safety training; flexible work hours; outplacement; and retiree benefits (including extended health care).

N2. Specific factors that might affect employee well-being, satisfaction, and motivation [5.3c(1)] include: effective employee problem or grievance resolution; safety factors; employee views of management; employee training, development, and career opportunities; employee preparation for changes in technology or the work organization; work environment and other work conditions; workload; cooperation and teamwork; recognition; benefits; communications; job security; compensation; and equal opportunity.

N3. Measures and/or indicators of well-being, satisfaction, and motivation [5.3c(2)] might include: safety; absenteeism; turnover; turnover rate for customer-contact employees; grievances; strikes; other job actions; insurance costs; worker's compensation claims; and results of surveys. Results relative to such measures and/or indicators should be reported in Item 7.3.

For additional description of this Item, see page 37.

6 Process Management (85 pts.)

The ***Process Management*** Category examines the key aspects of your organization's process management, including customer-focused design, product and service delivery, support, and supplier and partnering processes involving all work units.

6.1 Product and Service Processes (55 pts.)

Approach - Deployment

Describe how your organization manages key product and service design and delivery processes.

Within your response, include answers to the following questions:

a. Design Processes

(1) What are your design processes for products/services and their related production/delivery processes?

(2) How do you incorporate changing customer/market requirements into product/service designs and production/delivery systems and processes?

(3) How do you incorporate new technology into products/services and into production/delivery systems and processes, as appropriate?

(4) How do your design processes address design quality and cycle time, transfer of learning from past projects and other parts of the organization, cost control, new design technology, productivity, and other efficiency/effectiveness factors?

(5) How do you ensure that your production/delivery process design accommodates all key operational performance requirements?

(6) How do you coordinate and test design and production/delivery processes to ensure capability for trouble-free and timely introduction of products/services?

b. Production/Delivery Processes

(1) What are your key production/delivery processes and their key performance requirements?

(2) How does your day-to-day operation of key production/delivery processes ensure meeting key performance requirements?

(3) What are your key performance measures and/or indicators used for the control and improvement of these processes? Include how real-time customer input is sought, as appropriate.

(4) How do you improve your production/delivery processes to achieve better process performance and improvements to products/services, as appropriate? How are improvements shared with other organizational units and processes, as appropriate?

Notes:

N1. Product and service design, production, and delivery differ greatly among organizations, depending upon many factors. These factors include the nature of the products and services, technology requirements, issues of modularity and parts commonality, customer and supplier relationships and involvement, and product and service customization. Responses to Item 6.1 should address the most critical requirements for your business.

N2. Responses to Item 6.1 should include how customers and key suppliers and partners are involved in design processes, as appropriate.

N3. Results of operational improvements in product and service design and delivery processes should be reported in Item 7.5. Results of improvements in product and service performance should be reported in Item 7.1.

For definitions of the following **key terms**, see pages 27-28: cycle time and productivity.

For additional description of this Item, see pages 38-39.

6.2 Support Processes (15 pts.)

Approach - Deployment

Describe how your organization manages its key support processes.

Within your response, include answers to the following questions:

a. Support Processes

(1) What are your key support processes?

(2) How do you determine key support process requirements, incorporating input from internal and/or external customers, as appropriate? What are the key operational requirements (such as productivity and cycle time) for the processes?

(3) How do you design these processes to meet all the key requirements?

(4) How does your day-to-day operation of key support processes ensure meeting key performance requirements? How do you determine and use in-process measures and/or customer feedback in your support processes?

(5) How do you improve your support processes to achieve better performance and to keep them current with business needs and directions, as appropriate? How are improvements shared with other organizational units and processes, as appropriate?

Notes:

N1. Support processes are those that support the organization's products/services design and delivery processes, and business operations. For many organizations, this might include information and knowledge management, finance and accounting, facilities management, research and development (R&D), administration, and sales/marketing. The key support processes to be included in Item 6.2 are unique to each organization and how it operates. Focus should be on the most important processes not addressed in Items 6.1 and 6.3.

N2. Results of improvements in key support processes and key support process performance results should be reported in Item 7.5.

For additional description of this Item, see page 39.

6.3 Supplier and Partnering Processes (15 pts.)

Approach - Deployment

Describe how your organization manages its key supplier and/or partnering interactions and processes.

Within your response, include answers to the following questions:

a. Supplier and Partnering Processes

(1) What key products/services do you purchase from suppliers and/or partners?

(2) How do you incorporate performance requirements into supplier and/or partner process management? What key performance requirements must your suppliers and/or partners meet to fulfill your overall requirements?

(3) How do you ensure that your performance requirements are met? How do you provide timely and actionable feedback to suppliers and/or partners? Include the key performance measures and/or indicators and any targets you use for supplier and/or partner assessment.

(4) How do you minimize overall costs associated with inspections, tests, and process and/or performance audits?

(5) How do you provide business assistance and/or incentives to suppliers and/or partners to help them improve their overall performance and to improve their abilities to contribute to your current and longer-term performance?

(6) How do you improve your supplier and/or partner processes, including your role as supportive customer/partner, to keep current with your business needs and directions? How are improvements shared throughout your organization, as appropriate?

Notes:

N1. Supplier and partnering processes might include processes for supply chain improvement and optimization, beyond direct suppliers and partners.

N2. If your organization selects preferred suppliers and/or partners based upon volume of business or criticality of their supplied products and/or services, include selection criteria in the response.

For additional description of this Item, see pages 39-40.

N3. Results of improvements in supplier and partnering processes and supplier/partner performance results should be reported in Item 7.4.

7 Business Results (450 pts.)

The ***Business Results*** Category examines your organization's performance and improvement in key business areas — customer satisfaction, product and service performance, financial and marketplace performance, human resource results, supplier and partner results, and operational performance. Also examined are performance levels relative to competitors.

7.1 Customer Focused Results (115 pts.)

Results

Summarize your organization's customer focused results, including customer satisfaction and product and service performance results. Segment your results by customer groups and market segments, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Customer Focused Results

(1) What are your current levels and trends in key measures and/or indicators of customer satisfaction, dissatisfaction, and satisfaction relative to competitors?

(2) What are your current levels and trends in key measures and/or indicators of customer loyalty, positive referral, customer-perceived value, and/or customer relationship building, as appropriate?

(3) What are your current levels and trends in key measures and/or indicators of product and service performance?

Notes:

N1. Customer satisfaction and dissatisfaction results reported in this Item should relate to determination methods and data described in Item 3.2.

N2. Measures and/or indicators of customer satisfaction relative to competitors might include objective information and data from customers and independent organizations.

N3. Comparative performance of products and services and product/service performance measures that serve as indicators of customer satisfaction should be included in 7.1a(3).

N4. The combination of direct customer measures/indicators in 7.1a(1) and 7.1a(2) with product and service performance measures/indicators in 7.1a(3) provides an opportunity to determine cause and effect relationships between product/service attributes and evidence of customer satisfaction, loyalty, positive referral, etc.

For additional description of this Item, see page 40.

7.2 Financial and Market Results (115 pts.)

Results

Summarize your organization's key financial and marketplace performance results, segmented by market segments, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Financial and Market Results

(1) What are your current levels and trends in key measures and/or indicators of financial performance, including aggregate measures of financial return and/or economic value, as appropriate?

(2) What are your current levels and trends in key measures and/or indicators of marketplace performance, including market share/position, business growth, and new markets entered, as appropriate?

Note:

Aggregate measures such as return on investment (ROI), asset utilization, operating margins, profitability, profitability by market/customer segment, liquidity, debt to equity ratio, value added per employee, and financial activity measures are appropriate for responding to 7.2a(1).

For additional description of this Item, see pages 40-41.

7.3 Human Resource Results (80 pts.)

Results

Summarize your organization's human resource results, including employee well-being, satisfaction, development, and work system performance. Segment your results by types and categories of employees, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Human Resource Results

(1) What are your current levels and trends in key measures and/or indicators of employee well-being, satisfaction and dissatisfaction, and development?

(2) What are your current levels and trends in key measures and/or indicators of work system performance and effectiveness?

Notes:

N1. Results reported in this Item should relate to activities described in Category 5. The results should be responsive to key process needs described in Category 6, and the company action plans and related human resource plans described in Item 2.2.

N2. For appropriate measures of employee well-being and satisfaction, see Notes to Item 5.3. Appropriate measures and/or indicators of employee development might include innovation and suggestion rates, courses completed, learning, on-the-job performance improvements, and cross-training.

N3. Appropriate measures and/or indicators of work system performance and effectiveness might include job and job classification simplification, job rotation, work layout, and changing supervisory ratios.

For additional description of this Item, see page 41.

7.4 Supplier and Partner Results (25 pts.)

Results

Summarize your organization's key supplier and partner results. Include appropriate comparative data.

Provide data and information to answer the following question:

a. Supplier and Partner Results

What are your current levels and trends in key measures and/or indicators of supplier and partner performance? Include your performance and/or cost improvements resulting from supplier and partner performance and performance management.

Note:

Results reported in this Item should relate directly to processes and performance requirements described in Item 6.3.

For additional description of this Item, see page 41.

7.5 Organizational Effectiveness Results (115 pts.)

Summarize your organization's key operational performance results that contribute to the achievement of organizational effectiveness. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Organizational Effectiveness Results

(1) What are your current levels and trends in key measures and/or indicators of key design, production, delivery, and support process performance? Include productivity, cycle time, and other appropriate measures of effectiveness and efficiency.

(2) What are your results for key measures and/or indicators of regulatory/legal compliance and citizenship? What are your results for key measures and/or indicators of accomplishment of organizational strategy?

Notes:

N1. Results reported in Item 7.5 should address key organizational requirements and progress toward accomplishment of key organizational performance goals as presented in the Business Overview, and in Items 1.1, 2.2, 6.1, and 6.2. Include results not reported in Items 7.1, 7.2, 7.3, and 7.4.

N2. Results reported in Item 7.5 should provide key information for analysis (Item 4.2) and review (Item 1.1) of organizational operational performance and should provide the operational basis for customer results (Item 7.1) and financial and market results (Item 7.2).

N3. Regulatory/legal compliance results reported in Item 7.5 should address requirements described in Item 1.2.

For additional description of this Item, see page 41.

Glossary of Key Terms

This Glossary of Key Terms defines and briefly describes terms used throughout the Criteria booklet that are important to performance management.

Action Plans

Action plans refer to principal organizational-level drivers, derived from short- and long-term strategic planning. In simplest terms, action plans are set to accomplish those things the organization should do well for its strategy to succeed. Action plan development represents the critical stage in planning when strategic objectives and goals are made specific so that effective organization-wide understanding and deployment are possible. Deployment of action plans requires analysis of overall resource needs and creation of aligned measures for all work units. Deployment might also require specialized training for some employees or recruitment of personnel.

An example of a strategic objective for a supplier in a highly competitive industry might be to develop and maintain a price leadership position. Action plans could entail design of efficient processes and creation of a cost accounting system, aligned for the organization as a whole. Performance requirements might include unit and/or team training in priority setting based upon costs and benefits. Organizational-level analysis and review could emphasize overall productivity growth.

Alignment

Alignment refers to consistency of plans, processes, actions, information, decisions, results, analysis, and learning to support key organization-wide goals. Effective alignment requires common understanding of purposes and goals and use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level; the key process level; and the work unit level.

Cycle Time

Cycle time refers to time performance — the time required to fulfill commitments or to complete tasks.

Time measurements play a major role in the Criteria because of the great importance of time performance to improving competitiveness. Cycle time is used in the Criteria booklet to refer to all aspects of time performance. Cycle time improvement could include time to market, order fulfillment time, delivery time, change-over time, and other key process times.

High Performance Work

High performance work refers to work approaches used to *systematically* pursue ever higher levels of overall organizational and human performance, including quality, productivity, and time performance. High performance work results in improved service for customers and other stakeholders.

Approaches to high performance work vary in form, function, and incentive systems. Effective approaches frequently include: cooperation between management and the work force, including work force bargaining units; cooperation among work units, often involving teams; self-directed responsibility/employee empowerment; employee input to planning; individual and organizational skill building and learning; learning from other organizations; flexibility in job design and work assignments; a flattened organizational structure, where decision making is decentralized and decisions are made closest to the "front line"; and effective use of performance measures, including comparisons. Many high performance work systems use monetary and non-monetary incentives based upon factors such as organizational performance, team and/or individual contributions, and skill building. Also, high performance work approaches usually seek to align the design of organizations, work, jobs, employee development, and incentives.

Innovation

Innovation refers to the adoption of an idea, process, technology, or product that is considered new or new to its proposed application.

Successful organizational innovation is a multi-step process that involves development and knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with technological innovation, it is applicable to all key organizational processes that would benefit from breakthrough improvement and/or change.

Measures and Indicators

Measures and indicators refer to numerical information that quantifies input, output, and performance dimensions of processes, products, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

The Criteria do not make a distinction between measures and indicators. However, some users of these terms prefer the term indicator: (1) when the measurement relates to performance, but is not a direct measure of such performance (e.g., the number of complaints is an indicator of dissatisfaction, but not a direct measure of it); and (2) when the measurement is a predictor ("leading indicator") of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

Performance

Performance refers to output results obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance might be expressed in non-financial and financial terms.

Three types of performance are addressed in this Criteria booklet: (1) customer focused, including key product and service performance; (2) financial and marketplace; and (3) operational.

Customer focused performance refers to performance relative to measures and indicators of customers' perceptions, reactions, and behaviors, and to measures and indicators of product and service characteristics important to customers. Examples include customer retention, complaints, customer survey results, product reliability, on-time delivery, defect levels, and service response time.

Financial and marketplace performance refers to performance using measures of cost and revenue, including asset utilization, asset growth, and market share. Examples include returns on investments, value added per employee, debt to equity ratio, returns on assets, operating margins, and other profitability and liquidity measures.

Operational performance refers to performance relative to effectiveness and efficiency measures and indicators. Examples include cycle time, productivity, waste reduction, and regulatory compliance. Operational performance might be measured at the work unit level, key process level, and organizational level.

Process

Process refers to linked activities with the purpose of producing a product or service for a customer (user) within or outside the organization. Generally, processes involve combinations of people, machines, tools, techniques, and materials in a systematic series of steps or actions. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

In many service situations, particularly when customers are directly involved in the service, process is used in a more general way — to spell out what must be done, possibly including a preferred or expected sequence. If a sequence is critical, the service needs to include information to help customers understand and follow the sequence. Service processes involving customers also require guidance to the providers on handling contingencies related to customers' likely or possible actions or behaviors.

In knowledge work such as strategic planning, research, development, and analysis, process does not necessarily imply formal sequences of steps. Rather, process implies general understandings regarding competent performance such as timing, options to be included, evaluation, and reporting. Sequences might arise as part of these understandings.

Productivity

Productivity refers to measures of efficiency of the use of resources.

Although the term is often applied to single factors such as staffing (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources used in producing outputs. The use of an aggregate measure of overall productivity allows a determination of whether or not the net effect of overall changes in a process — possibly involving resource tradeoffs — is beneficial.

Value

Value refers to the degree of worth relative to cost and relative to possible alternatives of a product, service, process, asset, or function.

Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Organizations seek to deliver value to all their stakeholders. This frequently requires balancing value for customers and other stakeholders, such as stockholders, employees, and the community.

Leadership (Category 1)

Leadership addresses how the senior leaders guide the organization in setting directions and seeking future opportunities. Primary attention is given to how the senior leaders set and deploy clear values and high performance expectations that address the needs of all stakeholders. The Category also includes the organization's responsibilities to the public and how the organization practices good citizenship.

1.1 Organizational Leadership

This Item addresses how senior leaders set directions and build and sustain an organization conducive to high performance, individual and organizational learning, empowerment, and innovation. The Item asks how leadership takes into account all key stakeholders — customers, employees, suppliers, partners, stockholders, the public, and the community. The Item also addresses how senior leaders review overall organizational performance and capabilities.

Area 1.1a calls for information on the major aspects of leadership — creating values and expectations; setting directions; projecting a strong customer focus; encouraging innovation; developing and maintaining an effective leadership structure; and effectively demonstrating, communicating, and deploying values, directions, expectations, and a strong customer focus. Setting directions includes creating future opportunities for the organization and its stakeholders. An effective leader promotes continuous learning, not only to improve overall performance, but also to involve all employees in the ongoing challenge to enhance customer value. To be successful, leadership must ensure that the organization captures and shares learnings. Communication by leadership is critical to organizational success. Communications need to include performance objectives and measures that help provide focus as well as alignment of work units and work processes.

Area 1.1b addresses the senior leaders' role in reviewing overall organizational performance, including using employee feedback to improve leadership effectiveness. This aspect of leadership is crucial, because reviews help to build consistency behind goals and allocation of resources. A major aim is to create organizations that are flexible and responsive — changing easily to adapt to new needs and opportunities. Through their roles in developing strategy and reviewing overall performance, senior leaders develop leadership and create an organization capable of adapting to changing opportunities and requirements.

An important part of the senior leaders' organizational review is the translation of review findings into an action agenda — sufficiently specific so that deployment throughout the organization and to suppliers/partners and key customers is possible. The action agenda could include opportunities for innovation to gain a performance leadership position relative to competitors and/or other organizations with similar processes, products, or services.

1.2 Public Responsibility and Citizenship

This Item addresses how the organization integrates its values and expectations regarding its public responsibilities and citizenship into its performance management practices.

Area 1.2a calls for information on how the organization addresses three basic aspects of public responsibility in planning products, services, and operations: (1) making legal and regulatory requirements and risk factors an integral part of performance management and improvement; (2) being sensitive to issues of public concern, whether or not these issues are currently embodied in law; and (3) ensuring ethical behavior in all stakeholder interactions.

Fulfilling societal responsibilities means not only meeting all local, state, and federal laws and regulatory requirements, but also treating these and related requirements as opportunities for improvement "beyond mere compliance." This means that the organization should maintain constant awareness of potential public concerns related to its products, services, and operations.

Area 1.2b calls for information on how the organization practices good citizenship in support of its key communities, as a contributing member and as a positive influence upon other organizations. Opportunities for involvement and leadership include efforts by the organization, senior leaders, and employees to strengthen community services, education, health care, the environment, and practices of trade, business, and professional associations. *Levels of involvement and leadership are dependent upon organization size and available resources.*

Good citizenship activities include community service by employees, which is encouraged and supported by the organization. For example, organizations, their leaders, and employees could help to influence the adoption of higher standards in education by communicating employability requirements to schools. Organizations could partner with other businesses and health care providers to improve health in the local community by providing education and volunteer services to address public health issues. Also, organizations could partner to influence trade and business associations to engage in beneficial cooperative activities, such as sharing best practices to improve overall U.S. global competitiveness.

Strategic Planning (Category 2)

Strategic Planning addresses strategic and action planning and deployment of plans.

The Category stresses that customer-driven quality and operational performance excellence are key strategic issues that need to be integral parts of overall planning. Specifically:

- customer-driven quality is a strategic view of quality. The focus is on the drivers of customer satisfaction, customer retention, new markets, and market share — key factors in competitiveness, profitability, and business success; and
- operational performance improvement contributes to short-term and longer-term productivity growth and cost/price competitiveness. Building operational capability — including speed, responsiveness, and flexibility — represents an investment in strengthening competitive fitness.

The Criteria emphasize that improvement and learning need to be embedded in work processes. The special role of strategic planning is to align work processes with the organization's strategic directions, thereby ensuring that improvement and learning reinforce organizational priorities.

The Strategic Planning Category examines how organizations:

- understand the key customer, market, and operational requirements as input to setting strategic directions. This helps ensure that ongoing process improvements are aligned with the organization's strategic directions.
- optimize the use of resources, ensure the availability of trained employees, and ensure bridging between short-term and longer-term requirements that may entail capital expenditures, supplier development, etc.
- ensure that deployment will be effective — that there are mechanisms to transmit requirements and achieve alignment on three basic levels: (1) the organization/executive level; (2) the key process level; and (3) the work-unit/individual-job level.

The requirements for the Strategic Planning Category are intended to encourage strategic thinking and acting — to develop a basis for a distinct competitive position in the marketplace. *These requirements do not imply formalized plans, planning systems, departments, or specific planning cycles.* Also, the Category does not imply that all improvements could or should be planned in advance. An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives compete for limited resources. In most cases, priority setting depends heavily upon a cost rationale. However, there also might be critical requirements such as societal responsibilities that are not driven by cost considerations alone.

2.1 Strategy Development

This Item addresses how the organization develops its view of the future and sets strategic directions.

The focus of the Item is on competitive leadership, which usually depends upon revenue growth as well as operational effectiveness. This requires a view of the future that includes not only the markets or segments in which the organization competes, but also how it competes. "How it competes" presents many options and requires understanding of the organization's and competitors' strengths and weaknesses. Although no specific time horizon is included, the thrust of the Item is sustained competitive leadership.

Area 2.1a calls for basic information on the planning process and for information on all the key influences, risks, challenges, and other requirements that might affect the organization's future opportunities and directions — taking as long a view as possible. The main purpose of the Item is to provide a thorough and realistic context for the development of a customer- and market-focused strategy to guide ongoing decision making, resource allocation, and overall management. An increasingly important part of strategic planning is projecting the competitive environment. The purposes of such projections are to detect and reduce competitive threats, to shorten reaction time, and to identify opportunities. Depending on the size and type of business, organizations might use a variety of modeling, scenario, or other techniques and judgments to project the competitive environment.

Area 2.1b addresses the organization's strategic objectives — those that are to serve as the basis for strategy deployment. The Area also calls for information on how the strategic objectives are evaluated against the key factors spelled out in Area 2.1a.

2.2 Strategy Deployment

This Item addresses how the organization's strategic objectives are translated into action plans and how they are deployed. The Item also calls for a projection of the

organization's performance. The main intent of the Item is effective translation and implementation of the organization's directions, incorporating measures that permit clear communication and tracking of progress and performance.

Area 2.2a calls for information on how the action plans are developed and deployed. This includes spelling out key performance requirements and measures, as well as aligning work unit, supplier, and/or partner plans. Of central importance in this Area is how alignment and consistency are achieved — for example, via key processes and key measurements. Alignment and consistency are intended also to provide a basis for setting and communicating priorities for ongoing improvement activities — part of the daily work of all work units. Performance measures are also critical to performance tracking.

Critical action plan requirements include human resource plans to support the overall strategy. Examples of possible human resource plan elements are:

- redesign of work organizations and/or jobs to increase employee responsibility and decision making;
- initiatives to promote labor-management cooperation, such as partnerships with unions;
- initiatives to foster knowledge sharing and cross-functional interactions throughout the organization;
- creation or modification of compensation and recognition systems based on building shareholder value and/or customer satisfaction;

- creation of opportunities for employees to learn and use skills that go beyond current job assignments through redesign of processes or organizations;
- education and training initiatives, including those that involve developmental assignments to prepare future managers/leaders;
- creation of individual development and/or learning plans;
- formation of partnerships with educational institutions to develop employees or to help ensure the future supply of well-prepared employees; and
- introduction of distance learning or other technology-based learning approaches.

Area 2.2b calls for a two-to-five year projection of key measures and/or indicators of the organization's performance. It also calls for a comparison of projected performance versus targets and/or goals, as well as competitors and key benchmarks. This projection/comparison is intended to encourage organizations to improve their ability to understand and track dynamic, competitive performance factors. Through this tracking process, organizations should be better prepared to take into account their rates of improvement and change relative to competitors and relative to their own targets or stretch goals as a diagnostic management tool.

In addition to improvement relative to past performance and to competitors, projected performance also might include changes resulting from new business ventures, entry into new markets, product/service innovations, or other strategic thrusts.

Customer and Market Focus (Category 3)

Customer and Market Focus addresses how the organization seeks to understand the voices of customers and of the marketplace. The Category stresses relationships as an important part of an overall listening and learning strategy. Customer satisfaction results provide vital information for understanding customers and the marketplace. In many cases, such results and trends provide the most meaningful information, not only on customers' views but also on their marketplace behaviors — repeat business and positive referrals.

3.1 Customer and Market Knowledge

This Item examines how the organization determines current and emerging customer requirements and expectations. This information is intended to support marketing, business development, and planning. In a rapidly changing competitive environment, many factors may affect customer preference and loyalty, making it necessary to listen and learn on a continuous basis. To be effective, such listening and learning need to have a close connection with the organization's overall business strategy. For example, if the organization customizes its products and services, the listening and learning strategy needs to be backed by a capable information system — one that rapidly accumulates information about customers and makes this information available where needed throughout the organization or elsewhere within the overall value chain.

A variety of listening and learning strategies are commonly used. Selection depends upon the type and size of the organization and other factors. Some examples are:

- close integration with key customers;
- rapid innovation and field trials of products and services to better link research and development (R&D) and design to the market;
- close tracking of technological, competitive, and other factors that may bear upon customer requirements, expectations, preferences, or alternatives;
- seeking to understand in detail customers' value chains and how they are likely to change;
- focus groups with leading-edge customers;
- training customer-contact employees in customer listening;
- use of critical incidents, such as complaints, to understand key service attributes from the point of view of customers and customer-contact employees;
- interviewing lost customers to determine the factors they use in their purchase decisions; and
- won/lost analysis relative to competitors.

This Item seeks information on how organizations recognize market segments, customers of competitors, and other potential customers. Accordingly, the Item addresses how the organization tailors its listening and learning to different customer groups and market segments.

For example, a relationship strategy might be possible with some customers, but not with others. Other information sought relates to sensitivity to specific product and service requirements and their relative importance or value to customer groups. This determination should be supported by use of information and data, such as complaints and gains and losses of customers.

This Item also addresses how the organization improves its listening and learning strategies, with a focus on keeping current with changing business needs and directions.

3.2 Customer Satisfaction and Relationships

This Item addresses how the organization effectively manages its interaction and follow-up with customers. Relationships provide a potentially important means for organizations to understand and manage customer

expectations and to develop new business. Also, customer-contact employees may provide vital information to build partnerships and other longer-term relationships with customers.

This Item also addresses how the organization determines customer satisfaction and satisfaction relative to competitors. Satisfaction relative to competitors and the factors that lead to preference are of critical importance to managing in a competitive environment.

Overall, Item 3.2 emphasizes the importance of obtaining actionable information, such as feedback and complaints from customers. To be actionable, the information gathered should meet two conditions: (1) responses should be tied directly to key business processes, so that opportunities for improvement are clear; and (2) responses should be translated into cost/revenue implications to support the setting of improvement priorities.

Area 3.2a calls for information on how the organization provides easy access for customers seeking information or assistance and/or to comment and complain. The Area calls for information on how customer contact requirements are determined and deployed. Such deployment needs to take account of all key points in the response chain — all units or individuals in the organization that make effective interactions possible.

The principal issue in complaint management is prompt and effective resolution of complaints, including recovery of customer confidence. In addition, Area 3.2a addresses how the organization learns from complaints and ensures that design/production/delivery process employees receive information needed to eliminate the causes of complaints. Effective elimination of the causes of complaints involves aggregation of complaint information from all sources for evaluation and use in overall organizational improvement.

The complaint management process might include analysis and priority setting for improvement projects based upon potential cost impact of complaints, taking into account customer retention related to resolution effectiveness.

Area 3.2a also addresses relationship building — how the organization builds loyalty and positive referral. Increasingly, business success, business development, and product/service innovation depend upon maintaining close relationships with customers. Approaches to relationship building vary greatly, depending on products/services and types of customers. Avenues to, and bases for, relationships often change quickly. Accordingly, this Area addresses how the organization evaluates and improves its customer relationship building and ensures that approaches are kept current with changing business needs.

Area 3.2b addresses how the organization determines customer satisfaction and dissatisfaction. Three types of requirements are considered:

- how the organization gathers information on customer satisfaction, including any important differences in approaches for different customer groups or market segments. This highlights the importance of the measurement scale in determining those factors that best reflect customers' market behaviors — repurchase, new business, and positive referral;
- how the organization follows up with customers regarding products, services, and recent transactions to determine satisfaction and to resolve problems quickly; and
- how satisfaction relative to competitors is determined. Such information might be derived from organization-based comparative studies or independent studies. The purpose of this comparison is to develop information that can be used for improving performance relative to competitors and to better understand the factors that drive markets.

Information and Analysis (Category 4)

Information and Analysis is the main point within the Criteria for all key information to effectively measure performance and manage the organization, and to drive improvement of performance and competitiveness. In simplest terms, Category 4 is the "brain center" for the alignment of an organization's operations with its strategic directions. However, since information and analysis might themselves be primary sources of competitive advantage and productivity growth, the Category also includes such strategic considerations.

4.1 Measurement of Organizational Performance

This Item addresses the organization's selection, management, and use of information and data for performance measurement in support of organizational planning and performance improvement. Overall, the Item represents a key foundation for a performance-oriented organization that effectively utilizes nonfinancial and financial information and data.

The Item examines the major components of an effective performance measurement system. It examines the selection and use of measures and indicators for tracking daily operations and those for tracking overall organizational performance. Alignment and integration of measures are viewed in terms of extent and effectiveness of use to meet organizational needs. Alignment and integration include how measures are aligned throughout the organization, how they are integrated to yield organization-wide measures, and how performance measurement requirements are deployed by the senior leaders to track work group and/or functional-level performance on key measures targeted for organization-wide improvement. Data and information reliability is an important component for monitoring operations and for data integration to assess overall performance.

Performance information and data could be especially advantageous in business networks, alliances, and supply chains. Responses to this Item should take into account such strategic use of performance information and data. Accordingly, "users" should then be interpreted as partners as well as organizational work units.

The Item calls for information on how competitive comparisons and benchmarking information are selected and used to help drive performance improvements. Included in effective selection and use of competitive comparisons and benchmarking information and data are: determination of needs and priorities; criteria for seeking appropriate information — from within and outside the organization's industry and markets; and use of information and data to set stretch targets and to promote major improvements in areas most critical to the organization's competitive strategy.

The major premises underlying the use of comparative information are: (1) organizations facing tough competition need to know "where they stand" relative to competitors and to best practices; (2) comparative and benchmarking information often provides impetus for significant ("breakthrough") improvement or changes and might alert organizations to competitive threats and new practices; and (3) organizations need to understand their own processes and the processes of others before they compare performance levels. Benchmarking information may also support business analysis and decisions relating to core competencies, alliances, and outsourcing.

Finally, the Item examines how requirements are met to keep the organization's performance measurement system current with changing business needs.

4.2 Analysis of Organizational Performance

This Item addresses organizational analysis of performance — the principal basis for assessing an organization's overall health. Analysis guides an organization's process management toward key business results and toward attaining strategic objectives. Despite their importance, individual facts and data do not usually provide a sound basis for actions or priorities. Action depends upon understanding cause/effect connections among processes and between processes and business results. Process actions may have many resource implications; results may have many cost and revenue implications as well. There is a critical need to provide a sound analytical basis for decisions since resources for improvement are limited and cause/effect connections are often unclear.

A close connection between analysis and performance review and between analysis and organizational planning helps to ensure that analysis is relevant to decision making. This Item is the central analysis point in an integrated performance measurement and management system. This system is built around financial and nonfinancial information and data.

The Item examines how information and data from all parts of the organization are analyzed to assess overall organizational health and to support daily operations.

Analyses that organizations perform to gain understanding of performance vary widely. Selection depends upon many factors, including organization type, size, and competitive position. Examples include:

- how product and service quality improvement correlates with key customer indicators such as customer satisfaction, customer retention, and market share;
- cost/revenue implications of customer-related problems and problem resolution effectiveness;
- interpretation of market share changes in terms of customer gains and losses and changes in customer satisfaction;
- improvement trends in key operational performance indicators such as productivity, cycle time, waste reduction, new product introduction, and defect levels;
- relationships between employee/organizational learning and value added per employee;
- financial benefits derived from improvements in employee safety, absenteeism, and turnover;
- benefits and costs associated with education and training;
- benefits and costs associated with improved organizational knowledge management and sharing;
- how the ability to identify and meet employee requirements correlates with employee retention, motivation, and productivity;
- cost/revenue implications of employee-related problems and effective problem resolution;
- trends in individual measures of productivity, such as work force productivity;
- individual or aggregate measures of productivity and quality relative to competitors;
- cost trends relative to competitors;
- relationships between product/service quality, operational performance indicators, and overall financial performance trends, as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee;
- allocation of resources among alternative improvement projects based on cost/revenue implications and improvement potential;
- net earnings derived from quality/operational/human resource performance improvements;
- comparisons among business units showing how quality and operational performance improvement affect financial performance;
- contributions of improvement activities to cash flow, working capital use, and shareholder value;
- profit impacts of customer retention;
- cost/revenue implications of new market entry, including global market entry or expansion;
- market share versus profits;
- trends in aggregate measures such as total factor productivity; and
- trends in economic, market, and shareholder indicators of value.

An important part of the senior leaders' organizational review is the translation of review findings into an action agenda — sufficiently specific so that deployment throughout the organization, and to suppliers/partners and key customers is possible.

Human Resource Focus (Category 5)

Human Resource Focus addresses key human resource practices — those directed toward creating a high performance workplace and toward developing employees to enable them and the organization to adapt to change. The Category covers human resource development and management requirements in an integrated way, aligned with the organization's strategic directions. Included in the focus on human resources is a focus on the work environment and the employee support climate.

To ensure the basic alignment of human resource management with overall strategy, the Criteria also include human resource planning as part of organizational planning in the Strategic Planning Category.

5.1 Work Systems

This Item addresses how approaches to work and job design, compensation, employee performance management, and recognition enable and encourage all employees to contribute effectively. The Item is concerned not only with current and near-term performance objectives, but also with individual and organizational learning — enabling adaptation to change.

This Item calls for information on work and job design. The basic aim of such design should be to enable employees to exercise discretion and decision making, leading to flexibility, innovation, knowledge and skill sharing, and rapid response to the changing requirements of the marketplace. Examples of approaches to create flexibility in work and job design might include simplification of job classifications, cross-training, job rotation, and changes in work layout and work locations. Approaches also might entail using technology and changing the flow of information to support local decision making.

Effective job design and flexible work organizations are necessary but may not be sufficient to ensure high performance. High performance work systems require information systems, education, and appropriate training to ensure that information flow supports the job and work designs. Also important is effective communication across functions and work units to ensure a focus on customer requirements and to ensure an environment of encouragement, trust, and mutual commitment. In some cases, teams might involve individuals in different locations linked via computers or conferencing technology.

The Item calls for information on how managers and supervisors motivate employees and encourage employees to develop and utilize their full potential. Some high performance organizations are addressing these needs via career and learning objectives, developed jointly with employees.

The Item also addresses the important alignment of incentives with the achievement of key organizational objectives. The basic thrust of this is the consistency between the compensation and recognition and work structures and processes.

The Item calls for information on employee compensation and recognition — how they reinforce high performance job design, a focus on customer satisfaction, and learning. To be effective, compensation and recognition might need to be based, wholly or in part, upon demonstrated skills and/or evaluation by peers in teams and networks.

Compensation and recognition approaches might include profit sharing and compensation based on skill building, use of new skills, demonstrations of self-learning, and knowledge sharing. The approaches might take into account linkages to customer retention or other performance objectives.

The Item addresses an increasingly important need of leading edge organizations: the ability to profile, recruit, and hire good employees. This requirement entails ensuring that work force diversity is reflective of the organization's community.

5.2 Employee Education, Training, and Development

This Item addresses how the organization develops the work force via education, training, and on-the-job reinforcement of knowledge and skills. Development is intended to meet ongoing needs of employees and a high performance workplace that must accommodate to change.

Education and training address the knowledge and skills employees need to meet their overall work and personal objectives and the organization's need for leadership development of employees. Depending upon the nature of the organization's work and the employees' responsibilities and stage of development, education and training needs might vary greatly. Examples include leadership and knowledge sharing skills, communications, teamwork, problem solving, interpreting and using data, meeting customer requirements, process analysis, process simplification, waste reduction, cycle time reduction, error-proofing, priority setting based upon cost and benefit data, and other training that affects employee effectiveness, efficiency, and safety. Education also might include basic skills such as reading, writing, language, and arithmetic.

The Item calls for information on how education and training are designed, delivered, reinforced, and evaluated, with special emphasis upon on-the-job application of knowledge and skills. The Item emphasizes the importance of the involvement of employees and their managers in the design of training, including clear identification of specific needs. This involves job analysis — understanding the types and levels of the skills required and the timeliness of training. Determining specific education and training needs might include use of organizational assessment or employee self-assessment to determine and/or compare skill levels for progression within the organization or elsewhere.

Education and training delivery might occur inside or outside the organization and involve on-the-job, classroom, computer-based, distance learning, or other types of delivery. This includes the use of developmental assignments within or outside the organization to enhance employees' career opportunities and employability.

The Item also emphasizes the evaluation of education and training. Such evaluation might take into account managers' evaluation, employees' self-evaluation, and peer evaluation of value received through education and training relative to needs identified in design. Evaluation might also address factors such as the effectiveness of education and training delivery, impact on work unit and organizational performance, costs of delivery alternatives, and benefit/cost ratios.

Although the Item does not explicitly call for information on training for customer-contact employees, such training is increasingly important. It usually entails: (1) acquiring key knowledge and skills, including knowledge of products and services; (2) listening to customers; (3) soliciting comments from customers; (4) anticipating and handling problems or failures ("recovery"); (5) developing skills in customer retention; and (6) learning how to effectively manage expectations.

5.3 Employee Well-Being and Satisfaction

This Item addresses the work environment, the employee support climate, and how they are tailored to support the well-being, satisfaction, and motivation of all employees.

Area 5.3a calls for information regarding a safe and healthful work environment to show how the organization includes such factors in its planning and improvement activities. Important factors in this Area include establishing appropriate measures and targets and recognizing that employee groups might experience very different environments.

Area 5.3b calls for information on the organization's approach to enhance employee well-being, satisfaction, and motivation based upon a holistic view of employees as key stakeholders. The Area emphasizes the need to consider a variety of services, facilities, activities, and opportunities and to tailor these to the well-being, satisfaction, and motivation of all employees. Increasingly, the needs of a diverse work force have to be addressed.

Most organizations, regardless of size, have many opportunities to contribute to employee well-being, satisfaction, and motivation. Examples of services, facilities, activities, and other opportunities are: personal and career counseling; career development and employability services; recreational or cultural activities; formal and informal recognition; non-work-related education; day care; special leave for family responsibilities and/or for community service; home safety training; flexible work hours; outplacement; and retiree benefits, including extended health care.

Also, these services might include career enhancement activities such as skills assessments, helping employees develop learning objectives and plans, and conducting employability assessments.

Area 5.3c calls for information on how the organization determines employee well-being, satisfaction, and motivation. The Area recognizes that many factors might affect employees. Although satisfaction with pay and promotion potential is important, these factors might not be adequate to assess the overall climate for motivation and high performance. For this reason, the organization might need to consider a variety of factors that might affect well-being, satisfaction, and motivation, such as: effective employee problem or grievance resolution; safety; employee views of leadership and management; employee development and career opportunities; employee preparation for changes in technology or work organization; work environment; workload; cooperation and teamwork; recognition; benefits; communications; job security; compensation; equality of opportunity; and capability to provide required services to customers.

In addition to formal or informal survey results, other measures and/or indicators of well-being, satisfaction, and motivation might include safety, absenteeism, turnover, turnover rate for customer-contact employees, grievances, strikes, and worker's compensation claims. Factors inhibiting motivation need to be prioritized and addressed. Further understanding of these factors could be developed through exit interviews with departing employees.

Area 5.3c also addresses how the information and data on the well-being, satisfaction, and motivation of employees are actually used in identifying improvement priorities. Priority setting might draw upon human resource results presented in Item 7.3 and might involve addressing employee problems based on impact on organizational performance.

Process Management (Category 6)

Process Management is the focal point within the Criteria for all key work processes. Built into the Category are the central requirements for efficient and effective process management — effective design, a prevention orientation, linkage to suppliers and partners, operational performance, cycle time, and evaluation and continuous improvement.

Flexibility, cost reduction, and cycle time reduction are increasingly important in all aspects of process management and organizational design. In simplest terms, flexibility refers to the ability to adapt quickly and effectively to changing requirements. Depending on the nature of the organization's strategy and markets, flexibility might mean rapid changeover from one product to another, rapid response to changing demands, or the ability to produce a wide range of customized services. Flexibility might demand special strategies such as implementing modular designs, sharing components, sharing manufacturing lines, and providing specialized training. Flexibility also increasingly involves outsourcing decisions, agreements with key suppliers, and novel partnering arrangements.

Cost and cycle time reduction often involve many of the same process management strategies as achieving flexibility. Thus, it is crucial to utilize key measures for these requirements in overall process management.

6.1 Product and Service Processes

This Item examines how the organization designs, introduces, produces, delivers, and improves its products and services. It also examines how production/delivery processes are operated and improved. The trouble-free introduction of new products and services is important to the management of these processes. This requires effective coordination, starting early in the product and service design phase. The Item also examines organizational learning through a focus on how learnings in one process or work unit are replicated and added to the knowledge base of other projects or work units.

Area 6.1a calls for information on the design of products and services, and their production/delivery processes. Aspects of this design include: (1) how changing customer and market requirements and technology are incorporated into product and service designs; (2) how production/delivery processes are designed to meet customer, quality, and operational performance requirements; and (3) how design and production/delivery processes are coordinated to ensure trouble-free and timely introduction and delivery of products and services.

Design approaches could differ appreciably depending upon the nature of the products/services — whether the products/services are entirely new, variants, or involve major or minor process changes. Responses should reflect the key requirements for the products and services. Factors that might need to be considered in design include: health; safety; long-term performance; environmental impact; “green” manufacturing; measurement capability; process capability; manufacturability; maintainability; supplier capability; and documentation. Effective design must also consider cycle time and productivity of production and delivery processes. This might involve detailed mapping of manufacturing or service processes and redesigning (“reengineering”) those processes to achieve efficiency, as well as to meet changing customer requirements.

Many organizations also need to consider requirements for suppliers and/or business partners at the design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel, or if the organization’s products utilize parts, equipment, and facilities used for other products, coordination of resources might be a major concern, but might offer means to significantly reduce unit costs and time to market. This should be addressed in responding to Area 6.1a.

Coordination of design and production/delivery processes involves all work units and/or individuals who will take part in production/delivery and whose performance materially affects overall process outcome. This might include groups such as research and development (R&D), marketing, design, and product/process engineering.

Area 6.1b calls for information on the management and improvement of key production/delivery processes. The information required includes a description of the key processes and their specific requirements, and how performance relative to these requirements is determined and maintained. Specific reference is made to in-process measurements and customer interactions. This requires the identification of critical points in processes for measurement, observation, or interaction. The intent is that these activities occur at the earliest points possible in processes to minimize problems that may result from deviations from expected performance. Expected performance frequently requires setting performance levels or standards to guide decision making. When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the correction could involve technical and/or human factors. Proper correction involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring anywhere else in the organization.

When customer interactions are involved, differences among customers must be considered in evaluating how well the process is performing. This might entail specific or general contingencies, depending on the customer information gathered. This is especially true of professional and personal services.

Area 6.1b calls for information on how processes are improved to achieve better performance. Better performance means not only better quality from the customers’ perspective but also better financial and operational performance — such as productivity — from the organization’s perspective. A variety of process improvement approaches are commonly used. These include: (1) sharing successful strategies across the organization; (2) process analysis and research (e.g., process mapping, optimization experiments, and error proofing); (3) research and development results; (4) benchmarking; (5) using alternative technology; and (6) using information from customers of the processes — within and outside the organization.

Process improvement approaches might utilize financial data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including complete redesign ("reengineering") of processes.

6.2 Support Processes

This Item addresses how the organization designs, implements, operates, and improves its support processes. Support processes are those that support the organization's product and/or service delivery, but are not usually designed in detail with the products and services themselves, because their requirements usually do not depend significantly upon product and service characteristics. Support process design requirements usually depend significantly upon internal requirements, and they must be coordinated and integrated to ensure efficient and effective linkage and performance. Support processes might include finance and accounting, software services, sales, marketing, public relations, information services, personnel, legal services, plant and facilities management, research and development, and secretarial and other administrative services.

The Item calls for information on how the organization maintains the performance of the key support processes. This information includes a description of the key processes and their principal requirements, and a description of key in-process measurements and customer interactions. These principal requirements are similar to those described previously in Area 6.1b.

Item 6.2 also calls for information on how the organization evaluates and improves the performance of its key support processes. Four key approaches are: (1) process analysis and research; (2) benchmarking; (3) use of alternative technology; and (4) use of information from customers of the processes — within and outside the organization. Together, these approaches offer a wide range of possibilities, including complete redesign ("reengineering") of processes.

6.3 Supplier and Partnering Processes

This Item addresses how the organization designs, implements, operates, and improves its supplier and partnering processes and relationships. It also addresses supplier and partner performance management and improvement. The term "supplier" refers to other organizations and units of the parent organization that provide goods and services.

Suppliers' and partners' goods and services may be used at any stage in the production, design, delivery, and use of the organization's products and services. Thus, suppliers include businesses such as distributors, dealers, warranty repair services, transportation, contractors, and franchises, as well as those that provide materials and components. Suppliers also include service suppliers, such as health care, training, and education providers.

The Item places particular emphasis on the unique relationships that organizations are building with key and preferred suppliers, including establishing partnering relationships. For many organizations, these suppliers and partners are an increasingly important part of achieving not only high performance and lower-cost objectives, but also strategic objectives. For example, they might provide unique design, integration, and marketing capabilities.

Item 6.3 requests the key performance requirements for suppliers and partners. These requirements are the principal factors involved in the organization's purchases, e.g., quality, delivery, and price. Processes for determining whether or not requirements are met might include audits, process reviews, receiving inspections, certification, testing, and rating systems.

Item 6.3 also requests information on actions and plans to improve the ability of suppliers and partners to contribute to achieving your organization's performance goals. These actions and plans might include one or more of the following: improving your own procurement and supplier management processes (including seeking feedback from suppliers and internal customers); joint planning; rapid information and data exchanges; use of benchmarking and comparative information; customer-supplier teams; training; long-term agreements; incentives; and recognition. Actions and plans might also include changes in supplier selection, leading to a reduction in the number of suppliers and enhancement of partnership agreements.

Business Results (Category 7)

The Business Results Category provides a results focus that encompasses the customer's evaluation of the organization's products and services, overall financial and market performance, and results of all key processes and process improvement activities. Through this focus, the Criteria's dual purposes — superior value of offerings as viewed by customers and the marketplace, and superior organizational performance reflected in operational and financial indicators — are maintained. Category 7 thus provides "real-time" information (measures of progress) for evaluation and improvement of processes, products, and services, aligned with overall organizational strategy. Item 4.2 calls for analysis of business results data and information to determine overall organizational performance.

7.1 Customer Focused Results

This Item addresses the results of most significance to assessing the organization's customer-related performance — customer satisfaction, customer dissatisfaction, customer satisfaction relative to competitors, and product/service performance. The Item calls for the use of all relevant data and information to establish the organization's performance as viewed by the customer. Relevant data and information include: customer satisfaction and dissatisfaction; retention, gains, and losses of customers and customer accounts; positive customer referrals; customer complaints and warranty claims; customer-perceived value based on quality and price; and competitive awards, ratings, and recognition from customers and independent organizations. Relevant data and information also include product and service performance measures, especially those that serve as predictors of customer satisfaction.

These product and service features are derived from the customer-related Items 3.1 and 3.2 ("listening posts"). If properly selected, improvements in the features should show a clear, positive correlation with customer and marketplace improvement indicators. The correlation between product/service performance and customer indicators is a critical management tool — a device for defining and focusing on key quality and customer requirements and for identifying product/service differentiators in the marketplace. The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of products and/or services.

Product/service performance appropriate for inclusion might be based upon one or more of the following: internal (organizational) measurements; field performance; data collected by the organization or for the organization; or customer surveys on product and service performance. Data appropriate for reporting include internal measurements and field performance, and data collected by the organization or other organizations through follow-up for attributes that cannot be accurately assessed through direct measurement (e.g., ease of use) or when variability in customer expectations makes the customer's perception the most meaningful indicator (e.g., courtesy).

7.2 Financial and Market Results

This Item addresses those factors that best reflect the organization's financial and marketplace performance. Measures reported in this Item will frequently be those key financial and market measures tracked by senior leadership

on an ongoing basis to gauge overall performance and often used to determine incentive compensation for senior leaders. Measures of financial performance might include return on equity, return on investment, operating margins, pre-tax profit margin, earnings per share, profit forecast reliability, and other liquidity and financial activity measures. Marketplace performance could include market share measures of business growth, new product and geographic markets entered, and percent new product sales, as appropriate. Comparative data for these measures might include industry best, best competitor, industry average, and appropriate benchmarks from outside your industry.

7.3 Human Resource Results

This Item addresses the organization's human resource results — those relating to employee well-being, satisfaction, development, motivation, work system performance, and effectiveness.

Results reported could include generic and business- or organization-specific factors. Generic factors include safety, absenteeism, turnover, and satisfaction. Business- or organization-specific factors include results commonly used in the industry or created by the organization for purposes of tracking progress. Results reported might include input data, such as extent of training, but the main emphasis should be placed on measures of effectiveness.

Results reported for work system performance should include those relevant to the organization and might include measures of improvement in job classification, job rotation, work layout, and changes in local decision making.

The Item calls for comparative information so that results can be evaluated meaningfully against competitors or other relevant external measures of performance. For some measures, such as absenteeism and turnover, local or regional comparisons also are appropriate.

7.4 Supplier and Partner Results

This Item addresses current levels and trends in key measures and/or indicators of supplier and partner performance. Suppliers and partners provide "upstream" and/or "downstream" materials and services. The focus should be on the most critical requirements from the point of view of your organization — the "buyer" of the products and services. Data reported should reflect results by whatever means they occur — via improvements by suppliers and partners and/or through selection of better performing suppliers and partners. Measures and indicators of performance should relate to the principal factors involved in your organization's purchases, e.g., quality, delivery, and price.

Data reported also should reflect how suppliers and partners have contributed to your organization's performance goals. Results reported could include cost savings; reductions in scrap, waste, or rework; and cycle time or productivity enhancements.

The Item calls for comparative information so that results reported can be meaningfully evaluated against competitors or other relevant external measures of performance.

7.5 Organizational Effectiveness Results

This Item addresses key performance results not covered in Items 7.1 through 7.4 that contribute significantly to the organization's goals — customer satisfaction, product and service quality, operational effectiveness, and financial/marketplace performance. *The Item encourages the use of any unique measures the organization has developed to track performance in important areas.*

Results should reflect key process performance measures, including those that influence customer satisfaction. Measures of productivity and operational effectiveness in all key areas — product/service delivery areas and support areas — are appropriate for inclusion. Results of compliance with regulatory/legal requirements should be reported.

Measures and/or indicators of operational effectiveness could include the following: environmental improvements reflected in emissions levels, waste stream reductions, by-product use, and recycling; responsiveness indicators such as cycle time, lead times, and set-up times; process assessment results such as customer assessment or third-party assessment (such as ISO 9000); and business-specific indicators such as innovation rates, innovation effectiveness, cost reductions through innovation, time to market, product/process yield, complete and accurate shipments, and measures of strategic goal achievement.

The Item calls for comparative information so that results reported can be evaluated against competitors or other relevant external measures of performance. These comparative data might include industry best, best competitor, industry average, and appropriate benchmarks from outside your industry. Such data might be derived from independent surveys, studies, laboratory testing, or other sources.

Scoring System

The scoring of responses to Criteria Items (Items) and Award applicant feedback are based on three evaluation dimensions: (1) Approach; (2) Deployment; and (3) Results. Criteria users need to furnish information relating to these dimensions. Specific factors for these dimensions are described below. Scoring Guidelines are given on page 43.

Approach

"Approach" refers to how you address the Item requirements — the *method*(s) used. The factors used to evaluate approaches include:

- appropriateness of the methods to the requirements
- effectiveness of use of the methods. Degree to which the approach:
  - is systematic, integrated, and consistently applied
  - embodies evaluation/improvement/learning cycles
  - is based on reliable information and data
- alignment with organizational needs
- evidence of innovation

Deployment

"Deployment" refers to the *extent* to which your approach is applied to all requirements of the Item. The factors used to evaluate deployment include:

- use of the approach in addressing Item requirements relevant to your organization
- use of the approach by all appropriate work units

Results

"Results" refers to *outcomes* in achieving the purposes given in the Item. The factors used to evaluate results include:

- current performance
- performance relative to appropriate comparisons and/or benchmarks
- rate, breadth, and importance of performance improvements
- linkage of results measures to key customer, market, process, and action plan performance requirements identified in the Business Overview and in Approach/Deployment Items

Item Classification and Scoring Dimensions

Items are classified according to the kinds of information and/or data you are expected to furnish relative to the three evaluation dimensions.

The two types of Items and their designations are:

1. Approach/Deployment **Approach - Deployment**
2. Results **Results**

Approach and Deployment are linked to emphasize that descriptions of Approach should always indicate the Deployment — consistent with the *specific requirements* of the Item. Although Approach and Deployment dimensions are linked, feedback to Award applicants reflects strengths and/or opportunities for improvement in either or both dimensions.

Results Items call for data showing performance levels and trends on key measures and/or indicators of organizational performance. However, the evaluation factor, "breadth" of performance improvements, is concerned with how widespread your improvement results are. This is directly related to the Deployment dimension. That is, if improvement processes are widely deployed, there should be corresponding results. A score for a Results Item is thus a weighted composite based upon overall performance, taking into account the breadth of improvements and their importance. (See next section.)

"Importance" as a Scoring Factor

The three evaluation dimensions described previously are critical to evaluation and feedback. However, evaluation and feedback also must consider the importance of your reported Approach, Deployment, and Results to your key business factors. The areas of greatest importance should be identified in the Business Overview and in Items such as 2.1, 2.2, 3.1, 6.1, and 7.5. Your key customer requirements and key strategic objectives and action plans are particularly important.

Assignment of Scores to Your Responses

Baldrige Award Examiners observe the following guidelines in assigning scores to applicants' responses:

- All Areas to Address should be included in the Item response. Also, responses should reflect what is important to the organization;
- In assigning a score to an Item, an Examiner first decides which scoring range (e.g., 50% to 60%) best fits the overall Item response. Overall "best fit" does not require total agreement with each of the statements for that scoring range. Actual score *within* the range depends upon an Examiner's judgment of the closeness of the Item response in relation to the statements in the next higher and next lower scoring ranges;
- An Approach/Deployment Item score of 50% represents an approach that meets the *basic* objectives of the Item and that is deployed to the principal activities and work units covered in the Item. Higher scores reflect maturity (cycles of improvement), integration, and broader deployment; and
- A Results Item score of 50% represents a clear indication of improvement trends and/or good levels of performance in the principal results areas covered in the Item. Higher scores reflect better improvement rates and/or levels of performance, and better comparative performance as well as broader coverage.

SCORE	APPROACH/DEPLOYMENT
0%	■ no systematic approach evident; anecdotal information
10% to 20%	■ beginning of a systematic approach to the basic purposes of the Item ■ major gaps exist in deployment that would inhibit progress in achieving the basic purposes of the Item ■ early stages of a transition from reacting to problems to a general improvement orientation
30% to 40%	■ a sound, systematic approach, responsive to the basic purposes of the Item ■ approach is deployed, although some areas or work units are in early stages of deployment ■ beginning of a systematic approach to evaluation and improvement of basic Item processes
50% to 60%	■ a sound, systematic approach, responsive to the overall purposes of the Item ■ approach is well-deployed, although deployment may vary in some areas or work units ■ a fact-based, systematic evaluation and improvement process is in place for basic Item processes ■ approach is aligned with basic organizational needs identified in the other Criteria Categories
70% to 80%	■ a sound, systematic approach, responsive to the multiple requirements of the Item ■ approach is well-deployed, with no significant gaps ■ a fact-based, systematic evaluation and improvement process and organizational learning/sharing are key management tools; clear evidence of refinement and improved integration as a result of organizational-level analysis and sharing ■ approach is well-integrated with organizational needs identified in the other Criteria Categories
90% to 100%	■ a sound, systematic approach, fully responsive to all the requirements of the Item ■ approach is fully deployed without significant weaknesses or gaps in any areas or work units ■ a very strong, fact-based, systematic evaluation and improvement process and extensive organizational learning/sharing are key management tools; strong refinement and integration, backed by excellent organizational-level analysis and sharing ■ approach is fully integrated with organizational needs identified in the other Criteria Categories

SCORE	RESULTS
0%	■ no results or poor results in areas reported
10% to 20%	■ some improvements *and/or* early good performance levels in a few areas ■ results not reported for many to most areas of importance to the organization's key business requirements
30% to 40%	■ improvements *and/or* good performance levels in many areas of importance to the organization's key business requirements ■ early stages of developing trends and obtaining comparative information ■ results reported for many to most areas of importance to the organization's key business requirements
50% to 60%	■ improvement trends *and/or* good performance levels reported for most areas of importance to the organization's key business requirements ■ no pattern of adverse trends and no poor performance levels in areas of importance to the organization's key business requirements ■ some trends *and/or* current performance levels — evaluated against relevant comparisons *and/or* benchmarks — show areas of strength *and/or* good to very good relative performance levels ■ business results address most key customer, market, and process requirements
70% to 80%	■ current performance is good to excellent in areas of importance to the organization's key business requirements ■ most improvement trends *and/or* current performance levels are sustained ■ many to most trends *and/or* current performance levels — evaluated against relevant comparisons *and/or* benchmarks — show areas of leadership and very good relative performance levels ■ business results address most key customer, market, process, and action plan requirements
90% to 100%	■ current performance is excellent in most areas of importance to the organization's key business requirements ■ excellent improvement trends *and/or* sustained excellent performance levels in most areas ■ evidence of industry and benchmark leadership demonstrated in many areas ■ business results fully address key customer, market, process, and action plan requirements

The Business Overview is an outline of your business. It should address what is most important to the business, key influences on how the business operates, and where the business is headed. *The Business Overview is a statement of what is relevant and important to your organization and its performance.*

The Business Overview is critically important because:

- it is the most appropriate starting point for self-assessment and for writing an application. It helps you focus on key business performance requirements and business results; and
- it is used by the Examiners and Judges in all stages of application review and during the site visit.

It is strongly recommended that the Business Overview be prepared first and that it be used as a guide in self-assessment and in writing and reviewing a Baldrige application.

Guidelines for Preparing the Business Overview

The Business Overview consists of five sections as follows:

1. Basic description of your organization

This section should provide information on:

- your products and services;
- the size and location(s) of your organization and whether it is publicly or privately owned;
- your organizational culture: purpose, vision, mission, and values, as appropriate;
- your major markets: local, regional, national, or international; and principal customer types: consumers, other businesses, government, etc.;
- your employee base, including number, types, educational level, bargaining units, and special safety requirements;
- your major equipment, facilities, and technologies used; and
- the regulatory environment affecting you: occupational health and safety, environmental, financial, and product, etc.

If your organization is a subunit of a larger organization, describe:

- the organizational relationship to your "parent" and percent of employees the subunit represents;
- how your products and services relate to those of your "parent" and/or other units of the "parent" organization; and
- key support services, if any, that your "parent" organization provides.

2. Customer and market requirements

This section should provide information on:

- key customer and market requirements (for example, on-time delivery, low defect levels, price demands, and after-sales services) for products and services. Briefly describe all important requirements, and note significant differences, if any, in requirements among customer groups and/or market segments. (Note any special relationships, such as partnerships, with customers or customer groups.)

3. Supplier and partnering relationships

This section should provide information on:

- types and numbers of suppliers of goods and services;
- the most important types of suppliers, dealers, and other businesses; and
- any limitations, special relationships, or special requirements that may exist with some or all suppliers and partners.

4. Competitive situation

This section should provide information on:

- numbers and types of competitors;
- your position (relative size, growth) in the industry;
- principal factors that determine competitive success, such as productivity growth, cost reduction, and product innovation; and
- changes taking place that affect competition, such as growing global competition.

5. Business directions

This section should provide information, as appropriate, on:

- major new thrusts, such as changes in products or entry into new markets or segments;
- new business alliances;
- introduction of new technologies;
- changes in strategy; and
- unique factors.

Page Limit

For Baldrige Award applicants, the Business Overview is limited to five pages. These are not counted in the overall application page limit. Typing instructions for the Business Overview are the same as for the application. These instructions are given in the *1999 Application Forms & Instructions for Business, Education, and Health Care* booklet. Ordering information is given on page 51.

The guidelines given in this section are offered to assist Criteria users in responding most effectively to the requirements of the 19 Criteria Items. Writing an application for the Baldrige Award involves responding to these requirements in 50 or fewer pages.

The guidelines are presented in three parts:

(1) General Guidelines regarding the Criteria booklet, including how the Items are formatted;

(2) Guidelines for Responding to Approach/Deployment Items; and

(3) Guidelines for Responding to Results Items.

General Guidelines

1. Read the entire Criteria booklet.

The main sections of the booklet provide an overall orientation to the Criteria, including how responses are to be evaluated for self-assessment or by Award Examiners. Criteria users should be thoroughly familiar with the following sections:

- Criteria for Performance Excellence (pages 10-26)
- Scoring information (pages 42-43)
- Glossary of Key Terms (pages 27-28)
- Item Descriptions and Comments (pages 29-41)

2. Review the Item format and understand how to respond to the Item requirements.

The Item format (see figure below) shows the different parts of Items, the significance of each part, and where each part is placed. It is especially important to understand the Areas to Address and the Item Notes. Each Item and Area to Address is described in greater detail in a separate section (pages 29-41).

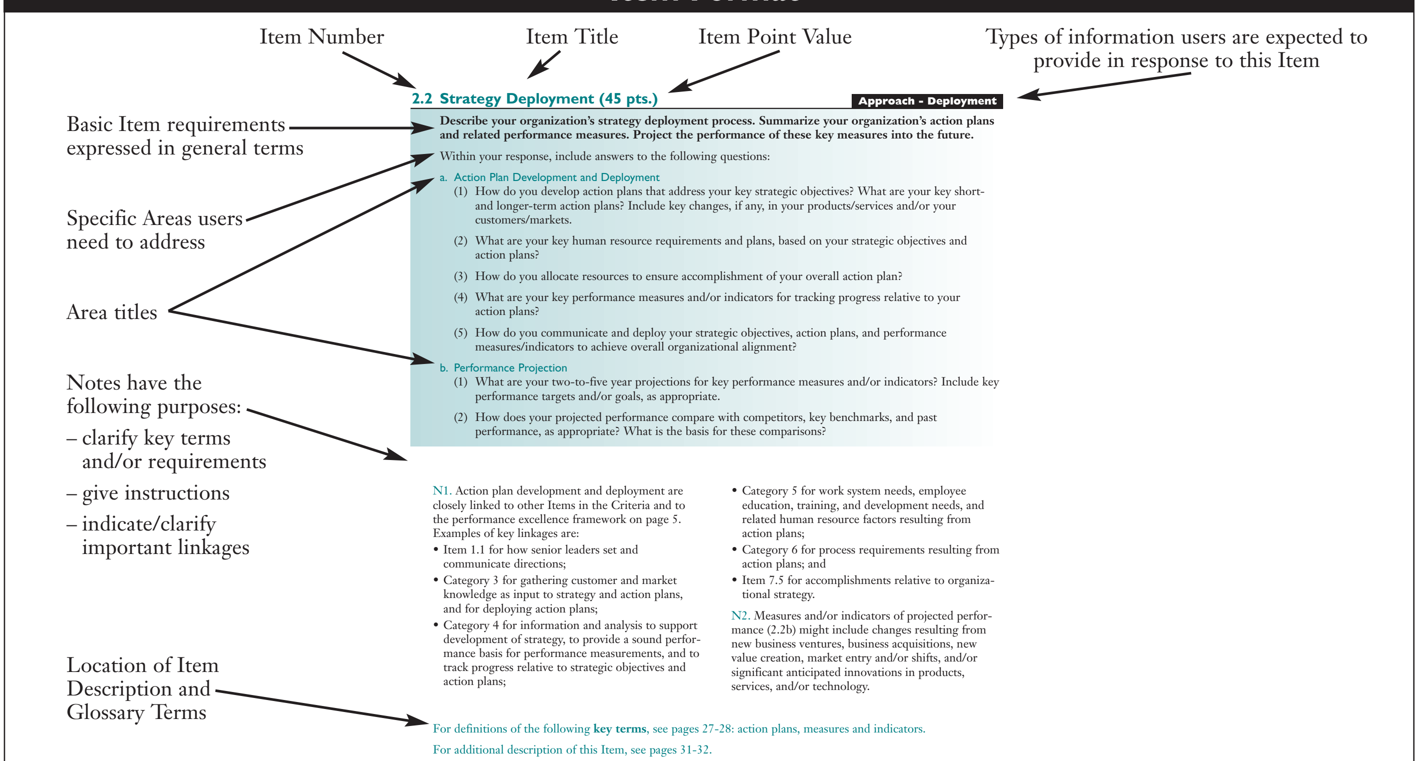
Each Item is classified either **Approach-Deployment** or **Results**, depending on the type of information required. Guidelines for responding to Approach/Deployment Items are given on pages 46-47. Guidelines for responding to Results Items are given on pages 47-48.

Item requirements are presented in question format, sometimes with modifying statements. Responses to an Item should contain answers to all questions and modifying statements; however, each question need not be separately answered. Responses to multiple questions within a single Area to Address may be grouped as appropriate to the organization.

3. Start by preparing the Business Overview.

The Business Overview is the most appropriate starting point for initiating a self-assessment or for writing an application. The Business Overview is intended to help everyone — including Criteria users/application writers and reviewers — to understand what is most relevant and important to the organization's business. Guidelines for preparing the Business Overview are given on page 44.

Item Format



Guidelines for Responding to Approach/Deployment Items

The Criteria focus on key performance results. However, results by themselves offer little *diagnostic* value. For example, if some results are poor or are improving at rates slower than the competition's, it is important to understand *why* this is so and *what* might be done to accelerate improvement.

The purpose of Approach-Deployment Items is to permit diagnosis of the organization's most important processes — the ones that enable fast-paced performance improvement and contribute to key business results. Diagnosis and feedback depend heavily upon the *content and completeness* of Approach-Deployment Item responses. For this reason, it is important to respond to these Items by providing key process information. Guidelines for organizing and reviewing such information follow.

1. Understand the meaning of "how."

Items requesting information on approach include questions that begin with the word "how." *Responses should outline key process information such as methods, measures, deployment, and evaluation/improvement/learning factors.* Responses lacking such information, or merely providing an example, are referred to in the Scoring Guidelines as *anecdotal information*.

2. Write and review response(s) with the following guidelines and comments in mind:

- Show *what* and *how*.

  It is important to give basic information about *what* the key processes are and *how* they work. Although it is helpful to include *who* performs the work, merely stating *who* does not permit diagnosis or feedback. For example, stating that "customer satisfaction data are analyzed by the Customer Service Department" does not permit diagnosis or feedback, because from this information, strengths and opportunities for improvement in the analysis cannot be given.

- Show that activities are *systematic*.

  Approaches that are systematic are repeatable and use data and information for improvement and learning. In other words, approaches are systematic if they "build in" evaluation and learning, and thereby gain in maturity.

- Show deployment.

  Deployment information should summarize what is done in different parts of the organization. Deployment can be shown compactly by using tables.

- Show focus and consistency.

  There are four important factors to consider regarding focus and consistency: (1) the Business Overview should make clear what is important; (2) the Strategic Planning Category, including the strategic objectives and action plans, should highlight areas of greatest focus and describe how deployment is accomplished; (3) descriptions of organizational-level analysis and review (Items 4.2 and 1.1) should show how the organization analyzes and reviews performance information to set priorities; and (4) the Process Management Category should highlight product, service, support, and supplier processes that are key to overall performance. *Focus and consistency in the Approach-Deployment Items and tracking corresponding measures in the Results Items should improve business performance.*

- Respond fully to Item requirements.

  Missing information will be interpreted as a gap in approach and/or deployment. All Areas to Address should be addressed. Individual components of an Area to Address may be addressed individually or together.

3. Cross-reference when appropriate.

Each Item response should, as much as possible, be self-contained. However, some responses to different Items might be mutually reinforcing. It is then appropriate to refer to the other responses, rather than to repeat information. In such cases, key process information should be given in the Item requesting this information. For example, employee education and training should be described in detail in Item 5.2. References elsewhere to education and training would then reference, but not repeat, this detail.

4. Use a compact format.

Applicants should make the best use of the 50 application pages permitted. Applicants are encouraged to use flowcharts, tables, and "bullets" to present information.

5. Refer to the Scoring Guidelines.

The evaluation of Item responses is accomplished by considering the Criteria Item requirements and the maturity of the approaches, breadth of deployment, and strength of the improvement process relative to the Scoring Guidelines. Therefore, Criteria users need to consider both the Criteria and the Scoring Guidelines.

Guidelines for Responding to Results Items

The Criteria place the greatest emphasis on results. The following information, guidelines, and example relate to effective and complete reporting of results.

1. Focus on the most critical business results.

Results reported should cover the most important requirements for business success, highlighted in the Business Overview, and in the Strategic Planning and Process Management Categories.

2. Note the meaning of the four key requirements from the Scoring Guidelines for effective reporting of results data.

- *trends* to show directions of results and rates of change;
- *performance levels* on a meaningful measurement scale;
- *comparisons* to show how results compare with those of other, appropriately selected organizations; and
- *breadth of results* to show that all important results are included.

3. Include trend data covering actual periods for tracking trends.

No minimum period of time is specified for trend data. Trends might span five years or more for some results. However, for important results, new data should be included even if trends and comparisons are not yet well established.

4. Use a compact format — graphs and tables.

Many results can be reported compactly by using graphs and tables. Graphs and tables should be labeled for easy interpretation. Results over time or compared with others should be "normalized" — presented in a way (such as use of ratios) that takes into account various size factors. For example, reporting safety trends in terms of lost workdays per 100 employees would be more meaningful than total lost workdays, if the number of employees has varied over the time period, or if you are comparing your results to organizations varying in size.

5. Integrate results into the body of the text.

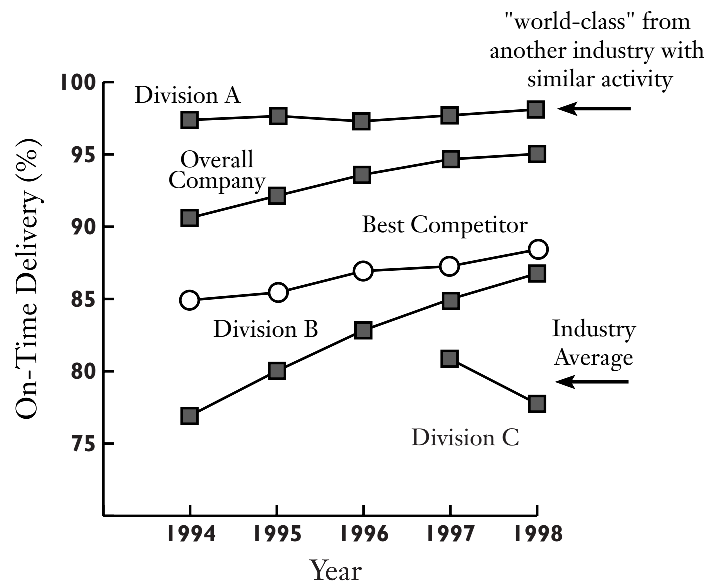
Discussion of results and the results themselves should be close together in an Award application. *Trends that show a significant positive or negative change should be explained.* Use figure numbers that correspond to Items. For example, the third figure for Item 7.1 would be Figure 7.1-3. (See the example on the figure shown to the right.)

The following graph illustrates data an organization might present as part of a response to Item 7.1, Customer Focused Results. In the Business Overview, the organization has indicated on-time delivery as a key customer requirement.

Using the graph, the following characteristics of clear and effective data reporting are illustrated:

- A figure number is provided for reference to the graph in the text.

Figure 7.1-3 On-Time Delivery Performance



- Both axes and units of measure are clearly labeled.
- Trend lines report data for a key customer requirement — on-time delivery.
- Results are presented for several years.
- Appropriate comparisons are clearly shown.
- The company shows, using a single graph, that its three divisions separately track on-time delivery.

To help interpret the Scoring Guidelines (page 43), the following comments on the graphed results would be appropriate:

- The current overall company performance level is excellent. This conclusion is supported by the comparison with competitors and with a "world-class" level.
- The company shows excellent improvement trends.
- Division A is the current performance leader — showing sustained high performance and a slightly positive trend. Division B shows rapid improvement. Its current performance is near that of the best industry competitor but trails the "world-class" level.
- Division C — a new division — is having early problems with on-time delivery. (The company briefly should explain these early problems.)

Applying for the Malcolm Baldrige National Quality Award

The Malcolm Baldrige National Quality Award is an annual Award to recognize U.S. organizations for performance excellence.

The Award promotes:

- awareness of performance excellence as an increasingly important element in competitiveness; and
- information sharing of successful performance strategies and the benefits derived from using these strategies.

Award Participation

The Award eligibility categories include:

- manufacturing companies
- service companies
- small businesses
- education institutions
- health care organizations

Copies of the Education Criteria and Health Care Criteria are available, and ordering information can be found on page 51.

Three awards may be given in each category each year.

To participate in the Award process, an organization must submit an application package that addresses the Criteria for Performance Excellence (pages 10-26). Award applicants are expected to provide information and data on the organizations' key processes and results. The information and data must be adequate to demonstrate that applicants' approaches are effective and yield desired outcomes.

Application Requirements

Applicants need to submit an application package that consists of three parts:

- an Eligibility Determination Form showing that eligibility has been approved;
- a completed Application Form; and
- an application report consisting of a Business Overview and responses to the Criteria.

Detailed information and the necessary forms are contained in the *1999 Application Forms & Instructions for Business, Education, and Health Care* booklet. Ordering instructions for this booklet are given on page 51.

Application Review

Applications are reviewed and evaluated by members of the Board of Examiners, in accord with strict rules regarding conflict of interest, in a four-stage process:

Stage 1 - independent review and evaluation by at least five members of the Board

Stage 2 - consensus review and evaluation for applications that score well in Stage 1

Stage 3 - site visits to applicants that score well in Stage 2

Stage 4 - Judges' review and recommendations of Award recipients

Feedback to Applicants

The feedback report, a tool for continuous improvement, is a written assessment by an evaluation team of leading U.S. experts. Each Award applicant receives a feedback report at the conclusion of the review process.

The feedback report contains an applicant-specific listing of strengths and opportunities for improvement based on the Criteria for Performance Excellence. Used by companies, education institutions, and health care organizations as part of their strategic planning processes, the feedback report helps organizations focus on their customers and improve productivity. The feedback system is one of the most important components of the Baldrige Award process; it provides a pathway for continuous improvement.

Feedback reports will be mailed at various times during the Award cycle, based on the stage of review an application reaches in the evaluation process. Strict confidentiality is observed at all times and in every aspect of application review and feedback.

Award Recipients

Award recipients may publicize and advertise their Awards. Recipients are expected to share information about their successful performance strategies with other U.S. organizations.

If your organization is applying in the Education or Health Care Category, refer to the appropriate sector-specific Criteria booklet and the *1999 Application Forms & Instructions for Business, Education, and Health Care*. Ordering information is on page 51.

If You are Considering Applying For the Award:

- These Criteria should be used only for the business eligibility categories (manufacturing, service, and small business).
- The following is only a summary of the eligibility rules for the business categories. Summaries of the eligibility rules for the education and health care categories are in the respective Criteria booklets. For-profit health care organizations or education institutions can apply under the service category using these Criteria or under the health care or education categories, using their respective Criteria. If there is a question on eligibility, check the complete eligibility rules in the *1999 Application Forms & Instructions for Business, Education, and Health Care*, or call the Baldrige National Quality Program Office at (301) 975-2036.
- Whatever your Award Eligibility Category, you will need to obtain a copy of the *1999 Application Forms & Instructions for Business, Education, and Health Care* before proceeding. Ordering instructions are given on page 51.

Basic Eligibility

Public Law 100-107 establishes the three business eligibility categories of the Award: manufacturing, service, and small business. Any for-profit business and some subunits headquartered in the United States or its territories, including U.S. subunits of foreign companies, may apply for the Award. Eligibility is intended to be as open as possible. For example, publicly or privately owned, domestic or foreign owned entities, joint ventures, corporations, sole proprietorships, and holding companies may apply. Not eligible in the business category are: local, state, and federal government agencies; trade associations; professional societies; and not-for-profit organizations.

Business Award Eligibility Categories

Manufacturing: Companies or some subunits (see section below on subunits) that produce and sell manufactured products or manufacturing processes, and producers of agricultural, mining, or construction products.

Service: Companies or some subunits (see section below on subunits) that sell services.

Small Business: Companies engaged in manufacturing and/or the provision of services that are comprised of 500 or fewer employees.

Subunits

A subunit is a unit or division of a larger (parent) company. Subunits of companies in the manufacturing and service eligibility categories might be eligible. The subunit must have more than 500 employees, or have more than 25% of the employees of the parent, or have been independent prior to being acquired by its parent. In the last case, it must continue to operate largely independently under its own identity.

The subunit must be self-sufficient enough to be examined in all seven Criteria Categories, and it must be a discrete business entity that is readily distinguishable from other parts of the parent organization. It cannot be primarily an internal supplier to other units in the parent company or a business support function (sales, distribution, legal services, etc.).

Other Restrictions on Eligibility

Location: Although an applicant may have facilities outside the United States or its territories or receive support from its parent, in the event of a site visit, the applicant must ensure that the appropriate people and materials are available for examination in the United States to document the operational practices associated with all of its major business functions. In the event that the applicant receives the Award, it must be able to share information on the seven Criteria Categories at the Quest for Excellence Conference and at its U.S. facilities. Sharing beyond the Quest for Excellence Conference is on a voluntary basis.

Multiple-Application Restrictions: A subunit and its parent may not both apply for Awards in the same year. In addition, only one subunit of a company may apply for an Award in the same year in the same business eligibility category.

Future Eligibility Restrictions: If an organization or a subunit that has more than 50% of the total employees of the parent receives an Award, the organization and all its subunits are ineligible to apply for another Award for a period of five years. If a subunit receives an Award, that subunit and all its subunits are ineligible to apply for another Award for a period of five years. After five years, Award recipients are eligible to reapply for the Award or to reapply "for feedback only."

Eligibility Determination

To ensure that Award recipients meet all reasonable requirements and expectations in representing the Award throughout the United States, potential applicants must have their eligibility approved prior to applying for the Award. Potential applicants for the 1999 Award are encouraged to submit their Eligibility Determination Forms as early as possible after they are available, but no later than April 15, 1999. This form is contained in the *1999 Application Forms & Instructions for Business, Education, and Health Care.*

Note: If you are planning to apply for the Award, you will need the *1999 Application Forms & Instructions for Business, Education and Health Care* in addition to the Criteria booklet.

Individual Orders

Individual copies of the Criteria booklets and the Application Forms & Instructions can be obtained free of charge from:

Baldrige National Quality Program
National Institute of Standards and Technology
Administration Building, Room A635
100 Bureau Drive, Stop 1020
Gaithersburg, MD 20899-1020
Telephone: (301) 975-2036
Fax: (301) 948-3716
E-mail: nqp@nist.gov

Bulk Orders

Multiple copies of the *1999 Criteria for Performance Excellence* booklets may be ordered in packets of 10 for $29.95 plus shipping and handling from the American Society for Quality (ASQ).

1999 Business Criteria — Item Number T1078
1999 Education Criteria — Item Number T1082
1999 Health Care Criteria — Item Number T1081

How to Order

ASQ offers four convenient ways to order:

- For fastest service, call toll free (800) 248-1946 in the United States and Canada (in Mexico, dial toll free 95-800-248-1946). Have item numbers, your credit card or purchase order number, and (if applicable) ASQ member number ready.
- Or fax your completed order form to ASQ at (414) 272-1734.
- Or mail your order to: ASQ Customer Service Department, P.O. Box 3066, Milwaukee, WI 53201-3066.
- Or order online by accessing ASQ's website at http://www.asq.org.

Payment

Your payment options include: Check, money order, U.S. purchase order, VISA, MasterCard, or American Express. Payment must be made in U.S. currency; checks and money orders must be drawn on a U.S. financial institution. All international orders must be prepaid. Please make checks payable to ASQ.

Shipping Fees

The following shipping and processing schedule applies to all orders:

Order Amount	U.S. Charges	Canadian Charges
0 - $34.99	$ 4.00	$ 9.00
$35.00 - 99.99	6.25	11.25
Over $100.00	12.50*	17.50

- There is an additional charge of 25% of the total order amount for shipments outside the United States/Canada.
- Orders shipped within the continental United States and Canada where UPS service is available will be shipped UPS.
- Please allow one to two weeks for delivery. International customers, please allow six to eight weeks for delivery.
- Your credit card will not be charged until your items are shipped. Shipping and processing are charged one time, up front, for the entire order.

**If actual shipping charges exceed $12.50 ($17.50 Canadian), ASQ will invoice the customer for the additional expense.*

Baldrige Educational Materials

Each year, the Baldrige National Quality Program develops materials for training members of the Board of Examiners and for sharing information on the successful performance excellence strategies of the Award recipients. The following items are a sample of the educational materials that may be ordered from ASQ.

Case Studies

The case studies are used to prepare Examiners for the interpretation of the Criteria and the Scoring System. The case studies, when used with the Criteria, illustrate the Award application and review process. The case study packet is illustrative of an application for the Baldrige Award and is useful in understanding the benefits of the Baldrige process, as well as for self-assessment, planning, training, and other uses.

1998 Business Case Study Packet: Gemini Home Health Services (Based on the *1998 Criteria for Performance Excellence*)

Item Number T1083: $49.95 plus shipping and handling

1997 Business Case Study Packet: Gateway Estate Lawn Equipment Company (Based on the *1997 Criteria for Performance Excellence*)

Item Number T1039: $49.95 plus shipping and handling

Education Case Study Packet: Ridgecrest School District (Based on the *1995 Education Pilot Criteria*)

Item Number T1023: $7.28 plus shipping and handling

Health Care Case Study Packet: Pinnacle Health Plan (Based on the *1995 Health Care Pilot Criteria*)

Item Number T1029: $7.28 plus shipping and handling

Award Winners Videos

The Award winners videos are a valuable resource for gaining a better understanding of performance excellence and quality achievement. The videos provide background information on the Baldrige National Quality Program, highlights from the annual Award ceremony, and interviews with representatives from the winning companies. Information on the 1998 Award winners video is provided below. Videos about Award winners from other years also are available from ASQ.

1998 — Item Number T1076 (Available April 1999) $ 20.00

How to Order

To order a Case Study Packet (Gemini Home Health Services, Gateway Estate Lawn Equipment Company, Ridgecrest School District, or Pinnacle Health Plan), bulk orders of the 1999 Criteria booklet, or the Award winners videos, contact:

ASQ Customer Service Department
P.O. Box 3066
Milwaukee, WI 53201-3066
Telephone: (800) 248-1946
Fax: (414) 272-1734
E-mail: asq@asq.org
Web Address: http://www.asq.org

Fees for the 1999 Award Cycle

Eligibility Determination Fees

The eligibility determination fee is $100 for all potential business applicants. This fee is nonrefundable.

Application Fees

- manufacturing company category — $4500
- service company category — $4500
- small business category — $1500
- supplemental sections — $1500

Detailed information on fees is given in the *1999 Application Forms & Instructions for Business, Education, and Health Care* booklet.

Site Visit Review Fees

Site visit review fees will be set when the visits are scheduled. Fees depend upon the number of Examiners assigned and the duration of the visit. Site visit review fees for applicants in the small business category will be charged at one-half of the rate charged for companies in the manufacturing and service categories. These fees are paid only by those applicants reaching the site visit stage.

Eligibility Determination Forms due — April 15, 1999
Award Applications due — June 2, 1999

The Baldrige National Quality Program welcomes your comments on the Criteria or any of the Award processes. Please address your comments to:

1999 Criteria for Performance Excellence
Baldrige National Quality Program
National Institute of Standards and Technology
Administration Building, Room A635
100 Bureau Drive, Stop 1020
Gaithersburg, MD 20899-1020

or E-mail: nqp@nist.gov

or Web Address: http://www.quality.nist.gov

The Malcolm Baldrige National Quality Improvement Act of 1987 — Public Law 100-107

The Malcolm Baldrige National Quality Award was created by Public Law 100-107, signed into law on August 20, 1987. Public Law 100-107 led to the creation of a new public-private partnership. Principal support for the program comes from the Foundation for the Malcolm Baldrige National Quality Award, established in 1988.

The Award is named for Malcolm Baldrige, who served as Secretary of Commerce from 1981 until his death in 1987. His managerial excellence contributed to long-term improvement in efficiency and effectiveness of government.

The Findings and Purposes Section of Public Law 100-107 states that:

"1. the leadership of the United States in product and process quality has been challenged strongly (and sometimes successfully) by foreign competition, and our Nation's productivity growth has improved less than our competitors' over the last two decades.

2. American business and industry are beginning to understand that poor quality costs companies as much as 20 percent of sales revenues nationally and that improved quality of goods and services goes hand in hand with improved productivity, lower costs, and increased profitability.

3. strategic planning for quality and quality improvement programs, through a commitment to excellence in manufacturing and services, are becoming more and more essential to the well-being of our Nation's economy and our ability to compete effectively in the global marketplace.

4. improved management understanding of the factory floor, worker involvement in quality, and greater emphasis on statistical process control can lead to dramatic improvements in the cost and quality of manufactured products.

5. the concept of quality improvement is directly applicable to small companies as well as large, to service industries as well as manufacturing, and to the public sector as well as private enterprise.

6. in order to be successful, quality improvement programs must be management-led and customer-oriented, and this may require fundamental changes in the way companies and agencies do business.

7. several major industrial nations have successfully coupled rigorous private-sector quality audits with national awards giving special recognition to those enterprises the audits identify as the very best; and

8. a national quality award program of this kind in the United States would help improve quality and productivity by:

   A. helping to stimulate American companies to improve quality and productivity for the pride of recognition while obtaining a competitive edge through increased profits;

   B. recognizing the achievements of those companies that improve the quality of their goods and services and providing an example to others;

   C. establishing guidelines and criteria that can be used by business, industrial, governmental, and other organizations in evaluating their own quality improvement efforts; and

   D. providing specific guidance for other American organizations that wish to learn how to manage for high quality by making available detailed information on how winning organizations were able to change their cultures and achieve eminence."

Baldrige National Quality Program

United States Department of Commerce
Technology Administration
National Institute of Standards and Technology
Baldrige National Quality Program
Administration Building, Room A635
100 Bureau Drive, Stop 1020
Gaithersburg, MD 20899-1020

The National Institute of Standards and Technology (NIST) is a non-regulatory federal agency within the Commerce Department's Technology Administration. NIST's primary mission is to promote U.S. economic growth by working with industry to develop and apply technology, measurements, and standards. The Baldrige National Quality Program at NIST manages the Malcolm Baldrige National Quality Award.

Call NIST for:

- information on the Malcolm Baldrige National Quality Award process and eligibility requirements
- information on the content of Baldrige Award documents
- individual copies of the Criteria (no cost)
- Application Forms & Instructions for Business, Education, and Health Care (no cost)
- Examiner applications (no cost)
- information on other Baldrige Program materials

Telephone: (301) 975-2036; Fax: (301) 948-3716; E-mail: nqp@nist.gov
Web Address: http://www.quality.nist.gov

American Society for Quality
611 East Wisconsin Avenue
P.O. Box 3005
Milwaukee, WI 53201-3005

The American Society for Quality (ASQ) advances individual and organizational performance excellence worldwide by providing opportunities for learning, quality improvement, and knowledge exchange. ASQ administers the Malcolm Baldrige National Quality Award under contract to NIST.

Call ASQ to order:

- bulk copies of the Criteria
- case studies
- Award winners videos

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